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UNITED STATES DISTRICT COURT

NORTHERN DISTRICT OF CALIFORNIA

KRISTA O'DONOVAN and EDUARDO DE LA TORRE, individually and on behalf of all others similarly situated, Plaintiff, vs. CASHCALL, INC., a California corporation, and DOES 1 through DOE 50, inclusive, Defendants.	Case No. C 08-03174 MEJ **DECLARATION OF DELBERT O. MEEKS IN SUPPORT OF CASHCALL, INC.'S MOTION FOR SUMMARY JUDGMENT ON THE UNCONSCIONABILITY CLAIM** [Filed Concurrently with: (1) Motion for Summary Judgment; (2) Separate Statement of Facts; (3) Declaration of Daniel H. Baren; (4) Declaration of John Fuller (5) Declaration of Hilary Holland; (6) Declaration of Ethan Post; (7) Declaration of Brad W. Seiling; (8) Request for Judicial Notice; (9) Notice of Lodging.] Date: November 21, 2013 Time: 10:00 a.m. Place: Courtroom B Judge: Hon. Maria-Elena James

DECLARATION OF DELBERT O. MEEKS

I, Delbert O. Meeks, declare and state as follows:

1. I am the Chief Financial Officer of CashCall, Inc. ("CashCall"). I have served in that capacity since I joined CashCall on August 2, 2004. I am responsible for all financial reporting and preparation of CashCall's consolidated audited financial statements. I have personal, first-hand knowledge of the matters stated herein, and, if called upon to do so, I could and would competently testify thereto.

2. I am informed that the court has certified a class in this case consisting of California residents who took out loans of $2,500-$2,600 and had an interest rate of at least 90% between June 30, 2004 and July 10, 2011 (the "Unconscionability Class"). I will refer to the period of June 30, 2004 and July 10, 2011 as the "Unconscionability Class Period." Although the Class period begins on June 30, 2004, CashCall did not begin making loans at interest rates above 90% until August 2005.

3. CashCall is a finance company licensed by the California Department of Business Oversight, formerly known as the Department of Corporations ("Department"). The loan amounts offered by CashCall have ranged from $2,600 to $25,000. During the Class period, the interest rates for these loans ranged from 35.9% for the $25,000 loan to 135.0% for the $2,600 loan. During the Class Period, CashCall's core product has been its $2,600 unsecured loan at an interest rate of 96% in the first part of the Class Period and 135% later in the Class Period. These core product loans have accounted for the overwhelming majority of the loans CashCall made during the Class Period. During some years, CashCall only made core product loans.

4. At the time of its founding, CashCall offered a unique product – unsecured term loans to borrowers with poor credit histories. Because of their limited credit options, these borrowers often were forced to seek credit from alternative loan products, such as payday loans, tax refund anticipation loans, or auto title loans ("alternative loan products"), to name a few. These alternative loan products contained very unfavorable terms, such as extremely high annual percentage rates ("APRs") (more than 400% for payday loans), small principal balances, and requirements that borrowers provide security. (An APR includes the interest rate charged on the

loan, if any, as well as any fees or additional costs associated with the loan.) In contrast, CashCall's loans were for higher principal amounts ($2,600), were unsecured, only charged simple interest, had no prepayment penalty, which meant borrowers were free to repay the loan in full at any time and avoid finance charges, and had lower APRs.

5. Offering unsecured loans to subprime borrowers poses a significant risk. Borrowers have less disincentive to default on unsecured loans, since they have no property at risk. CashCall attempts to control the default rate by screening out the most risky prospective borrowers through its up-front underwriting. During the Class period, CashCall rejected more than 72% of all loan applicants. Notwithstanding attempts to control the default rate through rigorous up-front underwriting, CashCall's loan default rate has consistently hovered around 40% for all loans and 45% for loans in the Unconscionability Class.

6. CashCall never imposed a prepayment penalty on its loans, so borrowers could repay the entire balance on the loan at any time without being assessed a penalty or fee. The lowest dollar amount of loan offered to members of the Unconscionability Class was $2,600.

7. CashCall's senior management team participates in the setting of CashCall's interest rates. When I joined the company, the senior management team involved in these decisions included Paul Reddam, the founder of CashCall, Hillary Holland, Dan Baren and Matt Ghourjian. All members of that team, including me, receive daily and weekly reports, referred to as the Static Pool Analysis, that allow us to follow the performance and profitability of specific loan products.

8. The process for setting interest rates has been the same since I joined the company in August 2004. To help decide the rates, we look to the costs of originating loans and servicing the loans, defaults, cost of funds, and the performance of the loans from the average mean life of a loan. In addition, we analyze risk. Before the Unconscionability Class period, CashCall experimented by making loans in various principal amounts and different interest rates. For example, CashCall previously offered its $2,600 unsecured loan at a 79% interest rate, but determined that it could not make a profit due to its high costs and high default rate. CashCall subsequently raised its interest rate on its $2,600 loans to 87%, before raising it to 96%, where it

remained from August 2005 to July 2009. In July 2009, CashCall raised the interest rate to 135%. On September 27, 2010, CashCall began offering $5,000 loans at a 115% interest rate.

9. CashCall's origination costs have always been very high, accounting for approximately 25% of funded balance. Origination costs include advertising costs, salaries of loan agents, underwriters and production staff, costs of credit reports and other credit verification. The two main components of CashCall's origination costs are, and have been, advertising and payroll.

10. During the class period, advertising expenses were approximately one half of origination costs. CashCall spent millions of dollars annually on advertising during the class period. CashCall needed to spend so much money on advertising, because only approximately 5% of the total calls made to CashCall end up as approved and funded loans.

11. The other component of origination costs – payroll for the personnel who underwrite and process applications – are high because CashCall rejects the overwhelming majority of loan applicants (approximately 72%).

12. CashCall's servicing costs are also high – 8-9% of unpaid balances. Servicing costs include, among other things, costs incurred in contacting borrowers who have become delinquent, and seeking to address payment problems. CashCall's subprime borrowers often require frequent contact to and from CashCall's servicing department.

13. CashCall's cost of funds – the interest rate it pays to borrow money to finance its operations – was also high. CashCall has obtained financing from its founder Paul Reddam and through third party lenders. CashCall's cost of funds from third parties has increased over time, and it increased significantly following the financial crisis of 2007-2008. Prior to August 2007, the interest rate under the financing provided by the Class A and B lending syndicate, which accounted for the majority of CashCall's outside financing at the time, was 9.58%. That rate was substantially higher than the cost of funds incurred by other financial institutions. CashCall's borrowing costs increased after 2007. From 2007 through 2011, it has paid interest rates as high as 30% to borrow the money that finances its consumer lending operations.

14. Overall, CashCall's operating expenses averaged approximately 64% of total revenues during the class period. CashCall incurred high expenses in the form of advertising costs, cost of funds and default costs, which ultimately increase the APR CashCall must charge to achieve its targeted profitability.

15. Only a small portion of CashCall borrowers take their loans to full term and make every single scheduled payment. Most borrowers either prepay their loan or default. At all times during my tenure with CashCall, the prepayment rate has generally ranged from 45-50%, and the default rate has generally ranged from 35-40% for all loans. The default rate for loans in the Unconscionability Class was slightly higher – 45% (and for loans originated in 2007, higher than 50%). Borrower credit scores (referred to in the industry as FICO scores) are the primary determining factor for loan defaults. I say this because CashCall has seen a fairly constant default rate over the course of the putative class period, regardless of the interest rate charged. When CashCall charged interest rates of less than 96% prior to August 2005, the default rate was still in the 35-40% range, and that rate did not change after CashCall increased the interest rate to 96%. Thus, I do not believe that a substantial reduction in interest rates would lower the default rate on CashCall's loans.

16. CashCall's $2,600 loans have carried terms of 36 to 47 months. But the average length of the loans has been much shorter than that. The average life of CashCall's $2,600 loans during the Unconscionability Class Period was 20 months.

17. The high default and prepayment rates impact the amount of revenue CashCall generates on its loan portfolio. To illustrate this point, I have reviewed CashCall's records for pool of $2,600 loans originated in California in January 2006. I have chosen this loan pool because all loans in this pool have either paid off or charged off, so none are outstanding. I have also chosen 2006, because it was the most profitable year for CashCall's consumer lending business during the Unconscionability Class period. During January 2006, CashCall funded $15,722,200 of loans at 96% interest. Borrowers repaid a total of $9,479,045 in principal, and CashCall charged off the remaining $5,980,324 in principal. CashCall collected $15,915,084 in interest over the life of that pool. Conservatively estimating 20% origination costs, 9% cost of

funds, and 8% servicing costs, CashCall would have earned a profit of $3.6 million on that loan pool over the entire life of the pool (which was longer than the 42-month term on the loans). Thus, CashCall's annual profit on the funds it loaned in January 2006 was approximately 8.5%, which is less than its target for profitability.

18. CashCall also modifies a significant number of loans when borrowers are in trouble and may have to default on the loan. CashCall will modify the loan by decreasing the interest rate with a corresponding reduction in the monthly payment. Modifying a loan means that CashCall will receive less total interest payments over the life of the loan. CashCall modified approximately 30% of the loans in the Unconscionability Class.

19. CashCall was in a period of growth from 2003 to approximately August 2007. Total loans originated by CashCall peaked in 2006 at 91,270, comprised mostly of the $2,600/96% core product loans that are included in the class. CashCall first began offering the $2,600/96% loan in August 2005.

20. CashCall had net income in 2005 and 2006, after reporting losses in the prior years. However, the credit crisis that impacted the entire economy beginning in 2007 significantly impacted CashCall. In August 2007, the lending syndicate that provided a $486 million secured revolving loan facility, which accounted for the majority of CashCall's outside (non-stockholder provided) financing, canceled the loan facility. This seriously impacted CashCall's ability to make loans and threatened CashCall's viability as an ongoing entity. As a result, CashCall's loan volume dropped significantly, and CashCall was forced to lay off a substantial part of its workforce. In addition, the extremely high default rate for loans originated in 2007 (more than 50%) further impacted CashCall's finances. Because of these external economic reasons and the impact on CashCall's business, CashCall lost $25,607,367.00 in 2007, after two profitable years in 2005 and 2006.

21. CashCall's consumer loan volume still has not returned to the pre-August 2007 production levels. In 2007, CashCall originated a total of 38,390 loans (22,288 of which were 2,600/96% interest rate core product loans) – a significant drop from the 91,270 loans it originated in 2006. In 2008, CashCall only originated 9,008 total loans. CashCall's total loan

production dropped again to 3,391 loans in 2009. Total loan volume has increased in 2010 (19,477 loans) and 2011 (17,404), but CashCall's total consumer loan production still has not returned to the peak level of 91,270 loans in 2006.

22. CashCall took steps to attempt to mitigate the impact of the economic downturn on its profitability. For example, during the period from October 2, 2008 through September 27, 2010, CashCall only made $2,600 core product loans.

23. CashCall raised the interest rate on its $2,600 loans from 96% to 135% in July 2009. CashCall's cost of funds increased significantly after 2008, more than doubling. The interest rates charged to CashCall to fund its operations were as high as 30% after 2008. Because of this significant increase in one element of CashCall's costs, it could not achieve its target profitability on its $2600 loans at a 96% interest rate. For that reason, CashCall raised the interest rate on these loans from 96% to 135%. CashCall also changed the term of the $2,600/135% loans to 36 months (down from 42 months) after it changed the interest rate. This change caused the default rate to spike, because the amount of the monthly payment increased significantly. For that reason, CashCall changed the term of the $2,600/135% loans to 47 months, which resulted in lower monthly payments and a lower default rate.

24. In 2009, CashCall began offering Fannie Mae-backed mortgages at competitive rates in addition to its unsecured consumer loans. CashCall would originate the mortgages and sell them to Fannie Mae. CashCall's mortgage business has been successful and generated a profit in 2010 and 2011 as a result of increased activity in the home refinance market when mortgage rates had dropped to historic lows. The profitability of CashCall's mortgage business has decreased with the recent increase in mortgage interest rates, which has slowed refinancing activity significantly.

25. For the year ended December 31, 2003, CashCall reported a net loss of $10,147,527.00. Attached hereto as Exhibit A is a true and correct copy of CashCall's audited financial statements for the year ended December 31, 2003.

26. For the year ended December 31, 2004, CashCall reported a net loss of $3,772,700.00. Attached hereto as Exhibit B is a true and correct copy of CashCall's audited financial statements for the year ended December 31, 2004.

27. For the year ended December 31, 2005, CashCall reported net income of $16,049,475.00. Attached hereto as Exhibit C is a true and correct copy of CashCall's audited financial statements for the year ended December 31, 2005.

28. For the year ended December 31, 2006, CashCall reported net income of $23,529,085.00. Attached hereto as Exhibit D is a true and correct copy of CashCall's audited financial statements for the year ended December 31, 2006.

29. For the year ended December 31, 2007, CashCall reported a net loss of $25,607,367.00. Attached hereto as Exhibit E is a true and correct copy of CashCall's audited financial statements for the year ended December 31, 2007.

30. For the year ended December 31, 2008, CashCall reported net income of $272,502.00. Attached hereto as Exhibit F is a true and correct copy of CashCall's audited financial statements for the year ended December 31, 2008.

31. For the year ended December 31, 2009, CashCall reported net income of $237,300.00. Attached hereto as Exhibit G is a true and correct copy of CashCall's audited financial statements for the year ended December 31, 2009.

32. For the year ended December 31, 2010, CashCall reported net income of $16,877,561.00. Attached hereto as Exhibit H is a true and correct copy of CashCall's audited financial statements for the year ended December 31, 2010. The reason for this significant increase in net income from 2009 to 2010 was CashCall's mortgage business, which was profitable.

33. For the year ended December 31, 2011, CashCall's net income was $60,097,532. Attached hereto as Exhibit I is a true and correct copy of CashCall's audited financial statements for the year ended December 31, 2011. As in 2010, the significant increase in profitability is tied to CashCall's mortgage business.

34. CashCall developed a profitability model that it used to attempt to predict future performance and profitability based on past results. CashCall's target profit was 15-20%. The model assumed a default rate on consumer loans of 35-40% and a prepayment rate of 45-50% based on the past performance of loans to the pool of borrowers that CashCall was willing to lend to. CashCall did not start its business seeking to achieve these rates of default and prepayment. CashCall would prefer to have a much lower default rate and lower prepayment rates. But these are the default and prepayment rates that it has observed in actual practice based on the performance of the loans it has made during and prior to the class period. Over the course of the Class period (from June 30, 2004 through July 10, 2011), CashCall did not achieve its target 15-20% profit margin. To the contrary, over the course of the class period, CashCall earned only a very modest profit on its consumer lending business (and in several years suffered substantial losses).

35. CashCall used its profitability model to make the decision to increase the interest rate on its $2,600 loans from 96% to 135% on July 21, 2009.

36. During the Class period, CashCall was required to file annual reports with the California Department of Corporations, now known as the Department of Business Organizations (the "Department") . The annual reports were due to the Department on March 15 of each year. Members of my staff assisted in the preparation of these annual report filings. CashCall's audited financial statements typically were completed after March 15. As a result, there were sometimes discrepancies between figures reported in the annual reports to the Department and the audited financial statements. The discrepancies resulted from adjustments that CashCall's auditors required it to make on its audited financial statements.

37. CashCall has provided its audited financial statements to various third parties to obtain financing from 2004 through the end of the Class period in 2011.

38. I have reviewed portions of the report of Plaintiffs' expert witness Margot Saunders, in particular, the portion of her report in which she opines that the appropriate "benchmark interest rate" for CashCall's loans was 36%. Ms. Saunders does not appear to have taken CashCall's costs and the default rate on its loans into account in determining that this was

the appropriate interest rate. There is simply no way CashCall could have remained in business if its interest rates were capped at 36%, and there is no way CashCall could stay in business going forward if it was limited to charging 36% interest on its $2,600 loans. CashCall could not make a profit on loans made to the members of this class at a 36% interest rate, and that rate cap likely would have put CashCall out of business years ago.

39. I have reviewed the report of Plaintiffs' expert Bruce McFarlane. I agree with the conclusion set forth in paragraph 85 and elsewhere in his report. Specifically, I agree that "CashCall's consumer lending business model, which is based on high volumes of loans to subprime borrowers, results in CashCall incurring higher costs, which increases the APR CashCall must charge borrowers in order to achieve its targeted profitability." Mr. McFarlane's conclusion succinctly states why CashCall must charge high interest rates on the loans it makes to subprime borrowers.

I declare under penalty of perjury under the laws of the United States that the foregoing is true and correct, and that this declaration was executed on October 16, 2013, at Orange, California.

Delbert O. Meeks

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MANATT, PHELPS & PHILLIPS, LLP
ATTORNEYS AT LAW
LOS ANGELES

EXHIBIT A

CASHCALL, INC.

(A California Corporation)

FINANCIAL STATEMENTS

December 31, 2003

EXHIBIT 60
Meeks, Vol I
6/13/13 PR

INDEX TO FINANCIAL STATEMENTS

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INDEPENDENT AUDITORS' REPORT

To the Stockholder and Board of Directors
CashCall, Inc.

We have audited the accompanying balance sheet of CashCall, Inc. (the "Company"), a California corporation, as of December 31, 2003, and the related statements of operations, stockholder's equity and cash flows for the year then ended. These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of CashCall, Inc. as of December 31, 2003, and the results of its operations and its cash flows for the year then ended, in conformity with accounting principles generally accepted in the United States of America.

Squar Milner Reehl & Williamson, LLP

Newport Beach, CA
May 7, 2004

CASHCALL, INC.
BALANCE SHEET
December 31, 2003

ASSETS

Current Assets	
Cash	$ 1,427,526
Loans receivable, net	34,502,835
Interest receivable	1,038,166
Prepaid expenses and other current assets	200,523
Total Current Assets	37,169,050
Property and Equipment, net	1,428,807
Total Assets	$ 38,597,857

LIABILITIES AND STOCKHOLDER'S EQUITY

Current Liabilities	
Accounts payable and accrued liabilities	$ 1,793,709
Due to related party	115,000
Note payable	1,402,685
Due to stockholder	31,467,774
Total Current Liabilities	34,779,168
Commitments and Contingencies	
Stockholder's Equity	
Common stock, no par value, 10,000 shares authorized; 10,000 shares issued and outstanding	3,000,000
Additional paid-in capital	17,000,000
Accumulated deficit	(16,181,311)
Total Stockholder's Equity	3,818,689
Total Liabilities and Stockholder's Equity	$ 38,597,857

The accompanying notes are an integral part of these financial statements.

CASHCALL, INC.
STATEMENT OF OPERATIONS
For the Year Ended December 31, 2003

REVENUES	
Interest income	$ 2,613,093
Other income	187,116
Total Revenues	2,800,209
Provision for loan losses	6,124,083
Loss after provision for loan losses	(3,323,874)
OPERATING EXPENSES	
Advertising	3,741,943
Personnel	1,590,422
General and administrative	1,491,288
Total Operating Expenses	6,823,653
NET LOSS	$ (10,147,527)

The accompanying notes are an integral part of these financial statements.

CASHCALL, INC.
STATEMENT OF STOCKHOLDER'S EQUITY
For the Year Ended December 31, 2003

	Common Stock		Additional Paid-in	Accumulated	
	Shares	Amount	Capital	Deficit	Total
BALANCE – January 1, 2003	10,000	$ 3,000,000	$ 1,800,000	$ (4,664,371)	$ 135,629
Contributions	–	–	15,200,000	–	15,200,000
Distributions to stockholder	–	–	–	(1,369,413)	(1,369,413)
Net loss	–	–	–	(10,147,527)	(10,147,527)
BALANCE – December 31, 2003	10,000	$ 3,000,000	$17,000,000	$ (16,181,311)	$ 3,818,689

The accompanying notes are an integral part of these financial statements.

CASHCALL, INC.
STATEMENT OF CASH FLOWS
For the Year Ended December 31, 2003

CASH FLOWS FROM OPERATING ACTIVITIES	
Net loss	$ (10,147,527)
Adjustments to reconcile net loss to net cash used in operating activities:	
Depreciation and amortization	184,426
Provision for loan losses	6,124,083
Changes in operating assets and liabilities:	
Loans receivable	(40,626,918)
Interest receivable	(1,038,166)
Prepaid expenses and other current assets	(200,523)
Accounts payable and accrued liabilities	1,793,709
Due to related party	115,000
Net cash used in operating activities	(43,795,916)
CASH FLOWS FROM INVESTING ACTIVITIES	
Purchases of property and equipment	(1,477,604)
Net cash used in investing activities	(1,477,604)
CASH FLOWS FROM FINANCING ACTIVITIES	
Due to stockholder	31,467,774
Proceeds from note payable	1,402,685
Distribution to stockholder	(1,369,413)
Contributions by stockholder	15,200,000
Net cash provided by financing activities	46,701,046
NET INCREASE IN CASH	1,427,526
CASH – beginning of year	–
CASH – end of year	$ 1,427,526

SUPPLEMENTAL DISCLOSURE OF CASH FLOW INFORMATION AND NON-CASH FINANCING ACTIVITIES

Cash paid during the year for interest	$ 2,685
Cash paid during the year for taxes	$ 800

See accompanying notes to these financial statements for information relating to non-cash financing activity concerning distributions to stockholder.

1. ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Organization

Relantis Corporation ("Relantis") was incorporated on January 28, 2000 for the purpose of purchasing, rehabbing and selling single-family residential properties. By mid-2002, Relantis had sold all but one of its existing properties and ceased operations. By late 2002, Mr. Reddam, the sole stockholder, began to develop the idea that later became CashCall, Inc. On March 11, 2003, Relantis changed its name to CashCall, Inc. (the "Company"). In 2003, the remaining real estate property was distributed to the Company's sole stockholder.

The Company, a California corporation, began its loan operations in July 2003. The Company operates as a specialty finance company that engages in the business of marketing, directly originating, selling and servicing consumer loans primarily in the state of California. The Company is a national consumer lender, originating loans via telephone and the Internet primarily to customers responding to radio and television advertisements. The Company offers a single loan program to qualified borrowers. The Company's headquarters and main operations center are located in Irvine, California. As of December 31, 2003, the Company was licensed to originate loans in fourteen states; however, virtually all of the Company's loans in 2003 were originated in the state of California.

Use of Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and the disclosure of contingent assets and liabilities at the date of the financial statements, and the reported amounts of revenues and expenses during the reporting period. Significant estimates include, among others, provisions for losses on loans receivable. Actual amounts could materially differ from those estimates.

Concentrations

The Company currently maintains substantially all of its cash with two major financial institutions. At times, cash balances may be in excess of the amounts insured by the Federal Deposit Insurance Corporation.

As of December 31, 2003, the Company had obtained 96% of its financing from one individual, the sole stockholder.

1. ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Loans Receivable

Loans receivable that management has the intent and ability to hold for the foreseeable future or until maturity or payoff, are reported at their outstanding unpaid principal balances, reduced by any chargeoff, valuation allowance and net of any deferred fees or costs on originated loans.

The allowance for loan losses is increased by charges to income and decreased by chargeoffs (net of recoveries). Management's periodic evaluation of the adequacy of the allowance is based on industry standards, known and inherent risks in the portfolio and adverse situations that may effect the borrower's ability to repay. Consumer loans are charged off when they are 120 days past due.

Property and Equipment

Property and equipment are stated at cost. Major renewals and improvements are capitalized, while replacements, maintenance and repairs which do not significantly improve or extend the useful life of the asset are expensed when incurred. Depreciation of property and equipment is computed using the straight-line method over the estimated useful lives of the assets ranging from three to five years. Depreciation of leasehold improvements is computed using the straight-line method over the shorter of the estimated useful life or the remaining term of the related lease.

The Company accounts for costs incurred to develop computer software for internal use in accordance with Statement of Position (SOP) 98-1, *"Accounting for the Costs of Computer Software Developed or Obtained for Internal Use."* As required by SOP 98-1, the Company capitalizes the costs incurred during the application development stage, which include costs to design the software configuration and interfaces, coding, installation and testing. Costs incurred during the preliminary project along with post-implementation stages of internal use computer software are expensed as incurred. Capitalized development costs are amortized over various periods up to three years. Costs incurred to maintain existing products are expensed as incurred. The capitalization and ongoing assessment of recoverability of development costs requires considerable judgment by management with respect to certain external factors, including, but not limited to, technological and economic feasibility and estimated economic life. For the year ended December 31, 2003, the Company capitalized product development costs of approximately $613,000. As of December 31, 2003, net capitalized software costs totaled $526,000.

1. ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Long-Lived Assets

The Company reviews the carrying values of its long-lived assets for possible impairment whenever events or changes in circumstance indicate that the carrying amount of the assets may not be recoverable. If the cost basis of a long-lived asset is greater than the projected future undiscounted net cash flows from such asset, an impairment loss is recognized. Impairment losses are calculated as the difference between the cost basis of an asset and its estimated fair value. The Company has no intangible assets, as described in Statement of Financial Accounting Standards ("SFAS") No. 142, "*Goodwill and Other Intangible Assets.*" Any long-lived assets held for disposal are reported at the lower of their carrying amounts or estimated fair values less costs to sell. During the year ended December 31, 2003, no impairment losses were recorded. As such, the Company's long-lived assets are stated at cost less accumulated depreciation and amortization.

Revenue Recognition

Except as described below, interest income from loans receivable is recognized using the interest (actuarial) method. Accrual of interest income on finance receivables is suspended when a loan is contractually delinquent for 120 days or more. The accrual of interest is resumed when the loan becomes contractually current, and past-due interest income is recognized at that time.

The Company generates revenues from interest income on all self-funded consumer loans. The revenues realized are based on the loan amount multiplied by the contractual interest rate from the time of funding by the Company through time of sale. These revenues are recognized as earned during the period between funding and sale.

Income Taxes

The Company has elected to be taxed as an "S" Corporation for both federal and state income tax purposes. Accordingly, the Company has not provided for federal income taxes because the income tax liability is that of the individual stockholder. The California state tax treatment is substantially the same as the federal. However, as the Company is a California S-corporation, an annual $800 franchise fee is required by the state of California

1. ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Fair Value of Financial Instruments

SFAS No. 107, "*Disclosures About Fair Value of Financial Instruments*," requires disclosure of fair value information about financial instruments when it is practicable to estimate that value. The carrying amount of the Company's cash, loans and interest receivable, accounts payable and accrued liabilities and note payable approximates their estimated fair values due to the short-term maturities of those financial instruments. The fair values of amounts due to related party and due to stockholder are not determinable as these transactions are with related parties.

Advertising Costs

Advertising costs consist of expenditures for various media content advertising such as television and radio. The Company expenses advertising costs as incurred. These costs include the cost of production and airtime as well as commissions paid to advertising agencies. Total advertising costs were approximately $3,742,000 for the year ended December 31. 2003.

Risks and Uncertainties

In the ordinary course of business, companies in the consumer lending industry encounter certain economic and regulatory risks. Economic risks include credit risk and market risk. Credit risk is the risk of default, primarily in the Company's loan portfolio that results from borrowers' inability or unwillingness to make contractually required payments. Market risk includes the inability of borrowers to engage in commitments to originate loans. Regulatory risks include administrative enforcement actions and/or civil or criminal liability resulting from any alleged failure to comply with the laws and regulations applicable to the Company's business.

2. LOANS AND INTEREST RECEIVABLE AND ALLOWANCE FOR CREDIT LOSSES

The Company offers personal loans of $10,000 that are not secured by personal property or any other collateral. All loans are amortized over 120 months, and borrowers are scheduled to make monthly payments of principal and interest. However, borrowers can repay their loan at any time without penalty. The annual percentage rate is the cost of the extended credit expressed as an annualized rate and varies from 24% to 39%.

2. LOANS AND INTEREST RECEIVABLE AND ALLOWANCE FOR CREDIT LOSSES (continued)

Loans receivable approximated the following at December 31, 2003:

Loans receivable based on consumer loan agreements	$ 40,627,000
Accrued Interest	1,038,000
Total	41,665,000
Allowance for loan losses	(6,124,000)
Loans and interest receivable, net	$ 35,541,000

Impairment of loans with a December 31, 2003 carrying value of approximately $1,257,000 has been recognized in conformity with SFAS No. 114, as amended by FASB Statement No. 118, "*Accounting by Creditors for Impairment of a Loan – Income Recognition and Disclosures (an amendment of FASB Statement No. 114)*". The total provision for credit losses related to these loans was approximately $1,257,000 in 2003. The related amount of interest income recognized prior to the impairment of these loans approximated $141,000. There was no interest income recognized on a cash-basis method of accounting during the time period that these loans were impaired in fiscal 2003.

On December 31, 2003, contractual maturities of consumer loans receivable approximated:

2004	$ 1,268,000
2005	1,497,000
2006	1,689,000
2007	2,057,000
Thereafter	34,116,000
	$ 40,627,000

Based on current period activity, the Company estimates that a substantial portion of the consumer loan portfolio generally will be repaid before contractual maturity dates. The above tabulation, therefore, is not to be regarded as a forecast of future cash collections. During the year ended December 31, 2003, cash collections of principal amounts of consumer loans approximated $2,593,000.

3. PROPERTY AND EQUIPMENT

Property and equipment approximated the following at December 31, 2003:

Computer equipment and software	$ 1,069,000
Autos	16,000
Machinery and equipment	102,000
Furniture and fixtures	441,000
Leasehold improvements	12,000
	1,640,000
Accumulated depreciation and amortization	(211,000)
Total	$ 1,429,000

4. RELATED PARTY TRANSACTIONS

Due to Stockholder

During the year ended December 31, 2003, the Company borrowed approximately $31,468,000 for working capital purposes from the sole stockholder. The borrowings call for interest at 2% and are due on demand. In addition, the stockholder has committed to providing additional working capital, as needed, through December 31, 2004.

***Due to Related* Party**

Legal fees are incurred through Zed Corporation ("Zed"). Zed is an S-Corporation, which is affiliated with the Company via common ownership. Zed is in the business of investing in various ventures. The Company's sole stockholder owns 100% of Zed. Legal fees due to Zed as of December 31, 2003 totaled $115,000.

5. EQUITY TRANSACTIONS

During the year ended December 31, 2003, the stockholder invested an aggregate of $15,200,000 for working capital purposes.

6. COMMITMENTS AND CONTINGENCIES

Operating Lease

The Company leases its office facilities under a non-cancelable operating lease expiring in June 2005. Future minimum rental payments required under the operating lease approximate the following for the years ending December 31:

2004	$	220,000
2005		92,000
	$	312,000

Rent expense approximated $160,000 for the year ended December 31, 2003.

Legal

At times, the Company is subject to various claims and actions, which arise in the ordinary course of business. Management, having consulted with its legal counsel, believes the ultimate resolution of any such claims and actions, both individually and in the aggregate, will not have a material adverse effect upon the Company's financial position or the results of its operations.

EXHIBIT B

CASHCALL, INC.

(A California Corporation)

FINANCIAL STATEMENTS

December 31, 2004

EXHIBIT 61
Meeks VNI
6/13/13 PR

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INDEPENDENT AUDITORS' REPORT

To the Stockholder and Board of Directors
CashCall, Inc.

We have audited the accompanying balance sheet of CashCall, Inc. (the "Company"), a California corporation, as of December 31, 2004, and the related statements of operations and accumulated deficit, and cash flows for the year then ended. These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of CashCall, Inc. as of December 31, 2004, and the results of its operations and its cash flows for the year then ended, in conformity with accounting principles generally accepted in the United States of America.

Newport Beach, California
February 25, 2005

CASHCALL, INC.
BALANCE SHEET
December 31, 2004

ASSETS

Current Assets	
Cash	$ 12,584,120
Unsecured loans receivable, net	74,962,202
Interest receivable	3,225,344
Prepaid expenses and other current assets	1,865,118
Total Current Assets	92,636,784
Property and Equipment, net	1,719,130
	$ 94,355,914

LIABILITIES AND STOCKHOLDER'S EQUITY

Current Liabilities	
Accounts payable and accrued liabilities	$ 820,576
Note payable	47,979,549
Note payable to stockholder	45,509,801
Total Current Liabilities	94,309,926
Commitments and Contingencies	
Stockholder's Equity	
Common stock, no par value, 10,000 shares authorized; 10,000 shares issued and outstanding	3,000,000
Additional paid-in capital	17,000,000
Accumulated deficit	(19,954,012)
Total Stockholder's Equity	45,988
	$ 94,355,914

The accompanying notes are an integral part of these financial statements.

CASHCALL, INC.
STATEMENT OF OPERATIONS AND ACCUMULATED DEFICIT
For the Year Ended December 31, 2004

REVENUES	
Interest income	$ 20,514,258
Other income	63,815
	20,578,073
EXPENSES	
Provision for loan losses	8,942,642
Advertising	4,690,663
Personnel	5,333,509
General and administrative	5,383,959
	24,350,773
NET LOSS	(3,772,700)
ACCUMULATED DEFICIT – beginning of year	(16,181,312)
ACCUMULATED DEFICIT – end of year	$ (19,954,012)

The accompanying notes are an integral part of these financial statements.

CASHCALL, INC.
STATEMENT OF CASH FLOWS
For the Year Ended December 31, 2004

CASH FLOWS FROM OPERATING ACTIVITIES	
Net loss	$ (3,772,700)
Adjustments to reconcile net loss to net cash provided by operating activities:	
Depreciation and amortization	464,639
Provision for loan losses	8,942,642
Changes in operating assets and liabilities:	
Interest receivable	(2,187,178)
Prepaid expenses and other current assets	(1,804,319)
Accounts payable and accrued liabilities	(816,623)
Net cash provided by activities	4,599,161
CASH FLOWS FROM INVESTING ACTIVITIES	
Loans receivable funded	(68,330,453)
Principal collections on loans receivable	18,928,444
Purchases of property and equipment	(615,238)
Net cash used in investing activities	(50,017,247)
CASH FLOWS FROM FINANCING ACTIVITIES	
Net repayments of short term note	(1,402,685)
Due to stockholder	13,885,516
Proceeds from note payable	47,864,549
Net cash provided by financing activities	60,347,380
NET INCREASE IN CASH	11,156,594
CASH – beginning of year	1,427,526
CASH – end of year	$ 12,584,120

SUPPLEMENTAL DISCLOSURE OF CASH FLOW INFORMATION AND

Cash paid during the year for interest	$ 1,830,340

 The accompanying notes are an integral part of these financial statements.

CASHCALL, INC.
NOTES TO FINANCIAL STATEMENTS
December 31, 2004

1. ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Organization

CashCall, Inc. (the "Company"), a California corporation, began its loan operations in July 2003. Previously, the Company was called Relantis, Inc. and operated in the real estate industry. The Company operates as a specialty finance company that engages in the business of marketing, directly originating, selling and servicing unsecured sub-prime consumer loans primarily in the State of California. The company has not yet engaged in loan selling or servicing activities. The Company is a national consumer lender, originating loans via telephone and the Internet primarily to customers responding to radio and television advertisements. The Company offers three loan programs to qualified borrowers. The Company's headquarters and main operations center are located in Irvine, California. At December 31, 2004, the Company was licensed to originate loans in fourteen states; however, virtually all of the Company's loans in 2004 were originated in the State of California. The Company is owned by one individual ("sole stockholder").

Use of Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and the disclosure of contingent assets and liabilities at the date of the financial statements, and the reported amounts of revenues and expenses during the reporting period. The Company's significant estimate is the provision for losses on loans receivable. Actual amounts could materially differ from this estimate.

Concentrations

The Company currently maintains substantially all of its cash with two major financial institutions. At times, cash balances may be in excess of the amounts insured by the Federal Deposit Insurance Corporation.

As of December 31, 2004, the Company had obtained its financing from two sources: the sole stockholder and Capital Source Finance LLC. In August 2004, the Company secured a $40 million senior credit facility with Capital Source Finance LLC, which was subsequently increased to $80 million in November 2004. At December 31, 2004, the Company had used approximately $48 million of the credit facility.

1. ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Unsecured Loans Receivable

Unsecured loans receivable that management has the intent and ability to hold for the foreseeable future or until maturity or payoff are reported at their outstanding unpaid principal balances, reduced by any chargeoff, valuation allowance and net of any deferred fees or costs on originated loans. All loans are unsecured.

Allowance for Loan Losses

The allowance for loan losses is established as losses are estimated to have occurred through a provision for loan losses charged to income. Loan losses are charged against the allowance when management believes the uncollectibility of a loan balance is confirmed. Subsequent recoveries, if any, are credited to the allowance. Generally, loans are charged off when they are 120 days past due.

The allowance for loan losses is evaluated on a regular basis by management and is based upon management's periodic review of the collectibility of the loans in light of historical experience, the nature and volume of the loan portfolio, adverse situations that may affect the borrower's ability to repay, and prevailing economic conditions. This evaluation is inherently subjective as it requires estimates that are susceptible to significant revisions as more information becomes available.

A loan is considered impaired when, based on current information and events, it is probable that the Company will be unable to collect the scheduled payments of principal or interest when due according to the contractual terms of the loan agreement. As previously noted, management generally charges a loan off when it becomes 120 days past due. Factors considered by management in determining impairment include payment status, and the probability of collecting scheduled principal and interest payments when due. Loans that experience insignificant payment delays and payment shortfalls generally are not classified as impaired. Management determines the significance of payment delays and payment shortfalls on a case-by-case basis, taking into consideration all of the circumstances surrounding the loan and the borrower, including the length of the delay, the reasons for the delay, the borrower's prior payment record and the amount of the shortfall in relation to the principal and interest owed.

1. ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Property and Equipment

Property and equipment are stated at cost. Major renewals and improvements are capitalized, while replacements, maintenance and repairs which do not significantly improve or extend the useful life of the asset are expensed when incurred. Depreciation of property and equipment is computed using the straight-line method over the estimated useful lives of the assets ranging from three to five years. Depreciation of leasehold improvements is computed using the straight-line method over the shorter of the estimated useful life or the remaining term of the related lease.

The Company accounts for costs incurred to develop computer software for internal use in accordance with Statement of Position (SOP) 98-1 *"Accounting for the Costs of Computer Software Developed or Obtained for Internal Use."* As required by SOP 98-1, the Company capitalizes the costs incurred during the application development stage, which include costs to design the software configuration and interfaces, coding, installation and testing. Costs incurred during the preliminary project along with post-implementation stages of internal use computer software are expensed as incurred. Capitalized development costs are amortized over various periods up to three years. Costs incurred to maintain existing products are expensed as incurred. The capitalization and ongoing assessment of recoverability of development costs requires considerable judgment by management with respect to certain external factors, including, but not limited to, technological and economic feasibility and estimated economic life. For the year ended December 31, 2004, the Company capitalized product development costs of approximately $386,000. As of December 31, 2004, net capitalized software costs approximated $308,000.

Long-Lived Assets

The Company reviews the carrying values of its long-lived assets for possible impairment whenever events or changes in circumstance indicate that the carrying amount of the assets may not be recoverable. If the cost basis of a long-lived asset is greater than the projected future undiscounted net cash flows from such asset, an impairment loss is recognized. Impairment losses are calculated as the difference between the cost basis of an asset and its estimated fair value. The Company has no intangible assets, as described in Statement of Financial Accounting Standards ("SFAS") No. 142, *"Goodwill and Other Intangible Assets."* Any long-lived assets held for disposal are reported at the lower of their carrying amounts or estimated fair values less costs to sell. During the year ended December 31, 2004, no indicators of impairment were noted. As such, the Company's long-lived assets are stated at cost less accumulated depreciation and amortization.

1. ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Revenue Recognition

Interest income from loans receivable is recognized using the interest (actuarial) method. Accrual of interest income on loans receivable is suspended when a loan is contractually delinquent for 120 days or more and the loan and related accrued interest are charged off in full.

Income Taxes

The Company has elected to be taxed as an "S" Corporation for both federal and state income tax purposes. Accordingly, the Company has not provided for federal income taxes because the income tax liability is that of the sole stockholder. The California state tax treatment is substantially the same as the federal, except for a 1.5% tax imposed on net income.

Fair Value of Financial Instruments

SFAS No. 107, "*Disclosures About Fair Value of Financial Instruments*," requires disclosure of fair value information about financial instruments when it is practicable to estimate that value. The carrying amount of the Company's cash, loans and interest receivable, accounts payable and accrued liabilities and note payable approximates their estimated fair values due to the short-term maturities of those financial instruments. The fair values of amounts due to related party and due to stockholder are not determinable as these transactions are with related parties.

Advertising Costs

Advertising costs consist of expenditures for various media content advertising such as television and radio. The Company expenses advertising costs as incurred. These costs include the cost of production and airtime as well as commissions paid to advertising agencies. Total advertising costs were approximately $4,690,000 for the year ended December 31, 2004.

1. ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Risks and Uncertainties

In the ordinary course of business, companies in the consumer lending industry encounter certain economic and regulatory risks. Economic risks include credit risk and market risk. Credit risk is the risk of default, primarily in the Company's loan portfolio that results from borrowers' inability or unwillingness to make contractually required payments. Market risk includes the inability of borrowers to engage in commitments to originate loans. Regulatory risks include administrative enforcement actions and/or civil or criminal liability resulting from any alleged failure to comply with the laws and regulations applicable to the Company's business.

Loan Origination Fees and Costs

Loan origination fees and costs are deferred and amortized as an adjustment of the loan's yield over the life of the loan using the interest method. At December 31, 2004, net loan origination fees and costs were not significant.

2. UNSECURED LOANS, INTEREST RECEIVABLE AND ALLOWANCE FOR CREDIT LOSSES

The Company offers personal loans of $10,000, $5,075 and $2,600 that are not secured by personal property or any other collateral. The $10,000 and $5,075 loans are amortized over 120 months, and the $2,600 loan is amortized over 42 months. Borrowers are scheduled to make monthly payments of principal and interest. However, borrowers can repay their loan at any time without penalty. The annual percentage rate is the cost of the extended credit expressed as an annualized rate and varies from 34% to 39% on $10,000 loans, 47% to 59% on $5,075 loans and 79% on $2,600 loans.

2. UNSECURED LOANS AND INTEREST RECEIVABLE AND ALLOWANCE FOR CREDIT LOSSES (continued)

Unsecured loans receivable approximated the following at December 31, 2004:

Loans receivable	$ 82,615,449
Allowance for loan losses	(7,653,247)
	74,962,202
Accrued interest	3,225,344
Loans and interest receivable, net	$ 78,187,546

Impairment of loans with a December 31, 2004 carrying value of approximately $7,918,000 has been recognized in conformity with SFAS No. 114, as amended by FASB Statement No. 118, "*Accounting by Creditors for Impairment of a Loan – Income Recognition and Disclosures (an amendment of FASB Statement No. 114)*". The total provision for credit losses related to these loans was approximately $8,940,000 for 2004. The related amount of interest income recognized prior to the impairment of these loans approximated $834,000. There was no interest income recognized on a cash-basis method of accounting during the time period that these loans were impaired during 2004. Recoveries from impaired loans are recognized as additional funding of the loan loss reserve. The total recoveries from such impaired loans for 2004 were $175,000.

At December 31, 2004, contractual maturities of consumer unsecured loans receivable approximated:

2005	$ 1,214,893
2006	1,755,086
2007	2,561,785
2008	3,783,602
2009	5,664,959
Thereafter	67,635,124
	$ 82,615,449

Based on current period activity, the Company estimates that a substantial portion of the loan portfolio generally will be repaid before contractual maturity dates. The above tabulation, therefore, is not to be regarded as a forecast of future cash collections. During the year ended December 31, 2004, cash collections of principal amounts of loans receivable approximated $19,000,000.

CASHCALL, INC.
NOTES TO FINANCIAL STATEMENTS
December 31, 2004

3. PROPERTY AND EQUIPMENT

Property and equipment approximated the following at December 31, 2004:

Computer equipment and software	$ 1,730,303
Automobiles	15,742
Machinery and equipment	127,844
Furniture and fixtures	508,237
Leasehold improvements	12,229
	2,394,355
Accumulated depreciation and amortization	(675,225)
	$ 1,719,130

4. NOTES PAYABLE

Note Payable

During 2004, the Company obtained a senior credit facility (the "facility") with a lender in the maximum amount of $80,000,000 to fund loans. The facility matures on August 31, 2007 and bears annual interest at London Inter-bank Offered Rate ("LIBOR") (2.65% at December 31, 2004) plus 6.50%. For funding in 2005, such rate is LIBOR plus 6.25%. In no event, however, will the overall rate be less than 8.50%. The facility is secured by all assets of the Company and personally guaranteed by the sole stockholder. The balance outstanding at December 31, 2004 was $47,979,549.

Note Payable to Sole Stockholder

During the year ended December 31, 2004, the Company borrowed approximately $13,885,516 for working capital purposes from the sole stockholder and repaid approximately $1,002,798 of interest. Total due to the sole stockholder was $45,509,801 at December 31, 2004. These borrowings call for a fixed interest of 2% and are due on demand.

5. COMMITMENTS AND CONTINGENCIES

Operating Leases

The Company leases its office facilities under a non-cancelable operating lease expiring in June 2005. Future minimum rental payments required under the operating lease approximate $92,000. In addition, the Company leases additional office facilities under a month-to-month agreement available to June 2005. Rent expense approximated $413,000 for the year ended December 31, 2004.

5. COMMITMENTS AND CONTINGENCIES (continued)

Legal

At times, the Company is subject to various claims and actions, which arise in the ordinary course of business. Management, having consulted with its legal counsel, believes the ultimate resolution of any such claims and actions, both individually and in the aggregate, will not have a material adverse effect upon the Company's financial position or the results of its operations.

EXHIBIT C

CASHCALL, INC. AND SUBSIDIARY

(A California Corporation)

CONSOLIDATED FINANCIAL STATEMENTS

December 31, 2005

EXHIBIT 62
Meeks Vol I
6/3/13 PR
PENGAD 800-631-6989

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SQUAR MILNER

INDEPENDENT AUDITORS' REPORT

Squar, Milner, Miranda & Williamson, LLP
Certified Public Accountants and Financial Advisors

Squar Milner Financial Services LLC

Squar Milner Real Estate Services, GP

Squar Milner Corporate Diligence Services, GP

To the Stockholder and Board of Directors
CashCall, Inc.

We have audited the accompanying consolidated balance sheet of CashCall, Inc. and Subsidiary (collectively, the "Company") as of December 31, 2005, and the related consolidated statements of income, stockholder's equity and cash flows for the year then ended. These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the consolidated financial position of CashCall, Inc. and Subsidiary as of December 31, 2005, and the results of their operations and their cash flows for the year then ended, in conformity with accounting principles generally accepted in the United States of America.

Squar, Milner, Miranda + Williamson, LLP

Newport Beach, CA
April 13, 2006

4100 Newport Place
Third Floor
Newport Beach, CA 92660

Phone: 949.222.2999
Fax: 949.222.2989

www.squarmilner.com

CASHCALL, INC. AND SUBSIDIARY
CONSOLIDATED BALANCE SHEET
December 31, 2005

ASSETS

Cash	$ 5,604,824
Restricted Cash	1,390,346
Unsecured Loans Receivable, net	62,870,096
Interest Receivable	3,121,433
Prepaid Expenses and Other Assets	5,053,544
Retained Interests in Loans Sold	22,476,974
Property and Equipment, net	5,187,365
Total Assets	$ 105,704,582

LIABILITIES AND STOCKHOLDER'S EQUITY

Accounts Payable and Accrued Liabilities	$ 3,774,924
Note Payable	44,574,394
Due to Stockholder	41,259,801
Total Liabilities	89,609,119
Commitments and Contingencies	
Stockholder's Equity	
Common stock, no par value, 10,000 shares authorized, issued and outstanding	20,000,000
Accumulated deficit	(3,904,537)
Total Stockholder's Equity	16,095,463
Total Liabilities and Stockholder's Equity	$ 105,704,582

The accompanying notes are an integral part of these financial statements.

CASHCALL, INC. AND SUBSIDIARY
CONSOLIDATED STATEMENT OF INCOME
For the Year Ended December 31, 2005

REVENUES	
Interest income – unsecured loans receivable	$ 23,541,097
Income on retained interests in loans sold	36,666,208
Loan origination income	5,508,532
Other income	3,138,802
Total Revenues	68,854,639
Provision for loan losses	3,185,622
Revenues after provision for loan losses	65,669,017
OPERATING EXPENSES	
Advertising	17,365,271
Personnel	18,487,943
General and administrative	13,766,328
Total Operating Expenses	49,619,542
NET INCOME	$ 16,049,475

The accompanying notes are an integral part of these financial statements.

CASHCALL, INC. AND SUBSIDIARY
CONSOLIDATED STATEMENT OF STOCKHOLDER'S EQUITY
For the Year Ended December 31, 2005

	Common Stock		Accumulated	
	Shares	Amount	Deficit	Total
BALANCE – January 1, 2005	10,000	$ 20,000,000	$ (19,954,012)	$ 45,988
Net income	–	–	16,049,475	16,049,475
BALANCE – December 31, 2005	10,000	$ 20,000,000	$ (3,904,537)	$ 16,095,463

The accompanying notes are an integral part of these financial statements.

CASHCALL, INC. AND SUBSIDIARY
CONSOLIDATED STATEMENT OF CASH FLOWS
For the Year Ended December 31, 2005

CASH FLOWS FROM OPERATING ACTIVITIES	
Net income	$ 16,049,475
Adjustments to reconcile net income to net cash provided by operating activities:	
Depreciation and amortization	878,312
Provision for loan losses	(2,246,492)
Changes in operating assets and liabilities:	
Restricted cash	(1,390,346)
Unsecured loans receivable	14,338,598
Interest receivable	103,911
Prepaid expenses and other current assets	(3,188,426)
Retained interests in loans sold	(22,476,974)
Accounts payable and accrued liabilities	2,954,348
Net cash provided by operating activities	5,022,406
CASH FLOWS FROM INVESTING ACTIVITIES	
Purchases of property and equipment	(4,346,547)
Net cash used in investing activities	(4,346,547)
CASH FLOWS FROM FINANCING ACTIVITIES	
Due to stockholder	(4,250,000)
Repayment of note payable	(3,405,155)
Net cash used in financing activities	(7,655,155)
NET DECREASE IN CASH	(6,979,296)
CASH – beginning of year	12,584,120
CASH – end of year	$ 5,604,824

SUPPLEMENTAL DISCLOSURE OF CASH FLOW INFORMATION	
Cash paid during the year for interest	$ 3,908,294

The accompanying notes are an integral part of these financial statements.

CASHCALL, INC. AND SUBSIDIARY
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
December 31, 2005

1. ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Organization

CashCall, Inc. ("CashCall") a California corporation incorporated January 28, 2000, began its loan operations in July 2003. CashCall operates as a specialty finance company that engages in the business of marketing, directly originating, selling and servicing consumer loans primarily in the state of California. CashCall is a national consumer lender, originating loans via telephone and the Internet primarily to customers responding to radio and television advertisements. CashCall offers several loan programs to qualified borrowers. CashCall's headquarters and principal operations center are located in Fountain Valley, California. As of December 31, 2005, CashCall was licensed to originate loans in fourteen states; however, virtually all of CashCall's loans in 2005 were originated in the state of California. CashCall is wholly-owned by one stockholder (the "sole stockholder").

On April 1, 2005, CashCall formed CashCall Financing, LLC ("CashCall Financing"), a Delaware limited liability company, with CashCall as the sole member. CashCall Financing was formed to facilitate the transfer of unsecured loans receivable from CashCall to the CashCall Receivable Trust (the "Trust"), a qualified special purpose entity ("QSPE"), as described in Statement of Financial Accounting Standards ("SFAS") No. 140, "*Accounting for Transfers and Servicing of Financial Assets and Extinguishments of Liabilities - A Replacement of FASB Statement 125.*" CashCall Financing has been designated as the beneficial owner of the Trust, as defined in the Amended and Restated Trust Agreement dated April 25, 2005. Christiana Bank & Trust Company, an unrelated Delaware banking corporation, has been designated as the owner trustee, as defined. Transfers of loans from CashCall to the Trust are accounted for as sales, as more fully described below.

Principles of Consolidation

The accompanying consolidated financial statements have been prepared in accordance with accounting principles generally accepted in the United States of America ("GAAP") and include the accounts of CashCall and its wholly owned subsidiary CashCall Financing (collectively, the "Company"). The operations of CashCall Financing are included in the accompanying statement of income from April 1, 2005. The Trust has not been consolidated as it is deemed to be a QSPE under the provisions of SFAS No. 140. All significant intercompany accounts and transactions have been eliminated in consolidation.

1. ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Use of Estimates

The preparation of financial statements in conformity with GAAP requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and the disclosure of contingent assets and liabilities at the date of the financial statements, and the reported amounts of revenues and expenses during the reporting period. Significant estimates include, among others, provisions for losses on unsecured loans receivable. Actual amounts could materially differ from those estimates.

Concentrations

The Company currently maintains substantially all of its cash with several major financial institutions. At times, cash balances may be in excess of the amounts insured by the Federal Deposit Insurance Corporation ("FDIC"). Cash in bank balances, including restricted cash, exceeded the FDIC limit by approximately $7.4 million at December 31, 2005.

Concentrations of credit risk with respect to unsecured loans receivable are limited because a large number of customers make up the Company's customer base, thus spreading the credit risk. However, borrowers who are in need of short-term, high-interest-rate loans generally have less than excellent credit scores. At December 31, 2005, no single customer represents greater than 10% of total unsecured loans receivable. The Company does not require collateral to support loans receivable.

As of December 31, 2005, the Company had obtained its financing from two sources: the sole stockholder and CapitalSource Finance, LLC ("CapSource"). See Notes 4 and 5 for more information on these notes payable. The loss of any of these sources could materially impact the financial condition of the Company; however, management believes that an adverse impact would be limited because alternative financing sources are available.

Risks and Uncertainties

In the ordinary course of business, companies in the consumer lending industry encounter certain economic and regulatory risks. Economic risks include credit risk and market risk. Credit risk is the risk of default, primarily in the Company's loan portfolio that results from borrowers' inability or unwillingness to make contractually required payments. Market risk includes the inability of prospective borrowers to engage in commitments to originate loans. Regulatory risks include administrative enforcement actions and/or civil or criminal liability resulting from any alleged failure to comply with the laws and regulations applicable to the Company's business.

1. ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Cash Equivalents and Restricted Cash

The Company considers all highly liquid temporary cash investments with original maturities of three months or less to be cash equivalents. The Company had no cash equivalents at December 31, 2005.

The Company maintains a bank account to facilitate the repayment of its note payable to CapSource (see Note 4). The funds in this account are restricted until CapSource forwards amounts to the Company's operating bank accounts. Such account is reported as restricted cash in the accompanying consolidated balance sheet.

Unsecured Loans Receivable

Unsecured loans receivable that management has the intent and ability to hold for the foreseeable future or until maturity or payoff, are reported at their outstanding unpaid principal balances, reduced by any chargeoff, valuation allowance and net of any deferred fees or costs on originated loans.

The allowance for loan losses is increased by charges to income and decreased by chargeoffs (net of recoveries). Management's periodic evaluation of the adequacy of the allowance is based on historical experience, known and inherent risks in the portfolio and adverse situations that may effect the borrower's ability to repay. Loans are charged off when they are 120 days past due.

Property and Equipment

Property and equipment are stated at cost. Major renewals and improvements are capitalized, while replacements, maintenance and repairs which do not significantly improve or extend the useful life of the asset are expensed when incurred. Depreciation of property and equipment is computed using the straight-line method over the estimated useful lives of the assets, which range from three to five years. Amortization of leasehold improvements is computed using the straight-line method over the shorter of the estimated useful life or the remaining term of the related lease.

1. ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Long-Lived Assets

The Company reviews the carrying values of its long-lived assets for possible impairment whenever events or changes in circumstance indicate that the carrying amount of the assets may not be recoverable. If the cost basis of a long-lived asset is greater than the projected future undiscounted net cash flows from such asset, an impairment loss is recognized. Impairment losses are calculated as the difference between the cost basis of an asset and its estimated fair value. The Company has no intangible assets, as described in SFAS No. 142, "*Goodwill and Other Intangible Assets.*" Any long-lived assets held for disposal are reported at the lower of their carrying amounts or estimated fair values less costs to sell. As of December 31, 2005, management determined that no indicators of impairment exist and, therefore, no adjustments have been made to the carrying values of long-lived assets. There can be no assurance, however, that market conditions will not change or demand for the Company's products or services will continue, which could result in impairment of long-lived assets in the future.

Retained Interests in Loans Sold

Transfers of unsecured loans receivable to the Trust that meet the criteria for surrender of control under SFAS No. 140 are accounted for as sales. At the time of sale, the Company generally retains: a) the right to 5% of the principal of unsecured loans receivable transferred; b) servicing rights; c) the rights to excess interest income (i.e. interest-only strip), net of certain costs incurred by the Trust; and d) accrued interest receivable transferred to the Trust. A gain or loss is recorded at the date of the sale based upon, in part, the previous carrying amount of the receivables involved in the transfer allocated among the assets sold and the retained interests based on their relative fair values at the date of the transfer. Fair value is generally estimated based on the present value of the estimated future cash flows expected under management's assumptions, including discount rates assigned commensurate with risks. Generally, no gain or loss is recorded as unsecured loans receivable and accrued interest receivable are sold at book value.

1. ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Retained Interests in Loans Sold (continued)

The Company accounts for retained interests in loans sold as an investment in a held-to-maturity debt security. In accordance with SFAS No. 115, "*Accounting for Certain Investments in Debt and Equity Securities*," such investments are to be reported at amortized cost. Earnings from the Trust in excess of amortization is recorded as income on retained interests in loans sold.

The Company does not record an asset or liability related to servicing as it is not deemed practicable to estimate revenues and adequate compensation. Practicability is limited because of a) the limited history of the underlying unsecured loans receivable, b) insufficient statistics regarding prepayments and charge-offs for the Company's loan products, which limits the reliability of cash flow estimates, and c) the lack of a market for servicing this type of loan product.

Additionally, the Company does not record an asset for the interest-only strip as it is not deemed practicable to estimate future revenues. Practicability is limited because of a) the limited history of the underlying unsecured loans receivable, and b) insufficient statistics regarding prepayments and charge-offs for the Company's loan products, which limits the reliability of cash flow estimates. .

The Company reviews the carrying values of its retained interests for possible impairment whenever events or changes in circumstance indicate that the carrying amount of the assets may not be recoverable to determine whether a decline in fair value below the amortized cost basis is other than temporary. If the decline in fair value is judged to be other than temporary, the cost basis of the retained interest is written down to estimated fair value as a new cost basis and the amount of the write-down is included in earnings (that is, accounted for as a realized loss). The new cost basis is not changed for any subsequent recoveries in fair value.

At December 31, 2005, the outstanding balance of unsecured loans receivables sold to the Trust approximated $206 million. The Company's net retained interest in such loans at December 31, 2005 approximated $22.5 million.

1. ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Revenue Recognition

The Company generates revenue from interest income on all self-funded consumer loans. Interest revenue is based on the loan amount multiplied by the contractual interest rate from the time of funding by the Company through the date of sale. These revenues are recognized as earned during the period between funding and sale/repayment. Interest income from unsecured loans receivable is recognized using the interest (actuarial) method. Accrual of interest income on finance receivables is suspended when a loan is contractually delinquent for 120 days or more. The accrual of interest is resumed when the loan becomes contractually current, and past-due interest income is recognized at that time. The Company records revenue earned from its retained interests in Trust assets as described in *Retained Interests in Loans Sold* above.

Income Taxes

The Company has elected to be taxed as an "S" Corporation for both federal and state income tax purposes. Accordingly, the Company has not provided for federal income taxes because the income tax liability is that of the individual stockholder. The California state tax treatment is substantially the same as the federal.

Fair Value of Financial Instruments

SFAS No. 107, "*Disclosures About Fair Value of Financial Instruments*," requires disclosure of fair value information about financial instruments when it is practicable to estimate that value. The carrying amount of the Company's cash, unsecured loans receivable, interest receivable, retained interests, accounts payable and accrued liabilities and note payable approximates their estimated fair values due to the short-term maturities of those financial instruments. Based on the present value of estimated future net cash flows, management believes that the fair value of unsecured loans receivable approximates $68,000,000 and the fair value of retained interests in loans sold approximates book value.

Management has concluded that it is not practical to determine the estimated fair value of amounts due to the sole stockholder. SFAS No. 107 requires that for instruments for which it is not practicable to estimate their fair value, information pertinent to those instruments be disclosed, such as the carrying amount, interest rate, and maturity, as well as the reasons why it is not practicable to estimate fair value. Information related to such financial instruments is included in Note 5. Management believes it is not practical to estimate the fair value of such instruments because the transactions cannot be assumed to have been consummated at arm's length, there are no quoted values available for these instruments, and an independent valuation would not be practicable due to the lack of data regarding similar instruments, if any, and the associated potential costs.

1. ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Advertising Costs

Advertising costs consist of expenditures for various media content advertising such as television and radio. The Company expenses advertising costs as incurred. These costs include the cost of production and airtime as well as commissions paid to advertising agencies. Total advertising costs were $17,365,271 for the year ended December 31, 2005.

2. UNSECURED LOANS AND INTEREST RECEIVABLE AND ALLOWANCE FOR CREDIT LOSSES

The Company offers personal loans of $20,000, $10,000, $5,075, $2,600 and $1,075 that are not secured by any collateral. The $20,000, $10,000 and $5,075 loans are amortized over 120 months, and the other loans are amortized over 42 months. Borrowers are scheduled to make monthly payments of principal and interest. However, borrowers can repay their loan at any time without penalty. The interest rate is the cost of the extended credit expressed as an annualized percentage and varies from 24% for $20,000 loans, 21% to 44% on $10,000 loans, 59% on $5,075 loans, 96% on $2,600 loans and 89% on $1,075 loans.

Unsecured loans receivable approximated the following at December 31, 2005:

Unsecured loans receivable based on consumer loan agreements	$ 68,276,851
Accrued interest	3,121,433
Total	71,398,284
Allowance for loan losses	(5,406,755)
Loans and interest receivable, net	$ 65,991,529

Impairment of loans with a December 31, 2005 carrying value of approximately $19,600,000 has been recognized in conformity with SFAS No. 114, as amended by FASB Statement No. 118, "*Accounting by Creditors for Impairment of a Loan – Income Recognition and Disclosures (an amendment of FASB Statement No. 114)*". The total provision for credit losses related to these loans was approximately $3,200,000 for the year ended December 31, 2005. There was no interest income recognized on a cash-basis method of accounting during the time period that these loans were impaired in fiscal 2005.

2. UNSECURED LOANS AND INTEREST RECEIVABLE AND ALLOWANCE FOR CREDIT LOSSES (continued)

Recoveries from impaired loans are recognized as additional funding of the loan loss reserve. The total recoveries from impaired loans in 2005 approximated $1,100,000.

On December 31, 2005, contractual maturities of consumer unsecured loans receivable were as follows:

2006	$ 3,158,383
2007	5,844,459
2008	12,807,347
2009	11,469,992
2010	1,598,827
Thereafter	33,397,843
	$ 68,276,851

Based on current period activity, management believes that a substantial portion of the consumer loan portfolio will be repaid before contractual maturity dates. The above tabulation, therefore, is not to be regarded as a forecast of future cash collections. During the year ended December 31, 2005, cash collections of principal amounts of consumer loans approximated $28 million.

Subsequent to December 31, 2005, the Company sold unsecured loans receivable approximating $52.6 million to the Trust. No gain or loss was recorded on such sales.

3. PROPERTY AND EQUIPMENT

Property and equipment consisted of the following at December 31, 2005:

Computer equipment and software	$ 4,076,882
Autos	15,742
Machinery and equipment	380,910
Furniture and fixtures	1,772,257
Leasehold improvements	482,400
	6,728,191
Accumulated depreciation and amortization	(1,540,826)
Total	$ 5,187,365

4. NOTE PAYABLE

In August 2004, the Company entered into a $40 million senior revolving credit facility with CapSource (the "CapSource Note"). The CapSource Note was amended in 2005 to modify total borrowings under the line to $50 million. The proceeds of such loan were used by the Company to originate consumer loans and provide funds for general working capital purposes. Borrowings are based on certain eligible unsecured loans receivable, bear interest at three-month LIBOR plus 6.5% (8.5% minimum rate; 10.9% at December 31, 2005), are secured by all loans receivable and are guaranteed by the sole stockholder. Upon an event of default, as defined, an additional 4% of interest will be charged. The Company is subject to certain restrictive financial covenants. At December 31, 2005, the Company was in compliance with all such covenants.

The Company paid commitment fees of $2,075,000 related to the CapSource Note. Such fees are amortized over 48 months. The net balance of approximately $1,700,000 is included in prepaid expenses and other current assets in the accompanying consolidated balance sheet.

5. RELATED PARTY TRANSACTIONS

Due from Employee

During the year ended December 31, 2005, an employee borrowed $100,000 from the Company. The loan is due on demand and bears interest at 6% per annum. Such receivable is included in prepaid expenses and other current assets in the accompanying consolidated balance sheet.

Due to Stockholder

From time to time, the Company borrows money for working capital purposes from the sole stockholder. The total due to stockholder approximated $41,300,000 at December 31, 2005. The borrowings call for interest at approximately 2% per annum and are due on demand.

6. COMMITMENTS AND CONTINGENCIES

Operating Lease

The Company leases its office facilities under a non-cancelable operating lease expiring in September 2012. Future minimum rental payments required under such lease approximate the following for the years ending December 31:

6. COMMITMENTS AND CONTINGENCIES (continued)

Operating Lease (continued)

2006	$ 800,000
2007	1,905,000
2008	1,964,000
2009	2,023,000
2010	2,082,000
Thereafter	3,596,000
	$ 12,370,000

Rent expense approximated $1,038,000 for the year ended December 31, 2005.

Legal

At times, the Company is subject to various claims and actions, which arise in the ordinary course of business. Management, having consulted with its legal counsel, believes the ultimate resolution of any such claims and actions, both individually and in the aggregate, will not have a material adverse effect upon the Company's financial position or the results of its operations.

7. SUBSEQUENT EVENT (Unaudited)

On April 13, 2006, CashCall completed a $175 million senior revolving credit facility with Liberty Hampshire Company, LLC. The new facility resulted in the pay off and closure of the CapSource Note (see Note 4). CashCall will sell loans to a new trust, which will use such loans as collateral for the notes payable to Liberty Hampshire Company, LLC.

EXHIBIT D

CASHCALL, INC. AND SUBSIDIARIES
(A California Corporation)
AND
CASHCALL RECEIVABLES TRUST
(A Delaware Statutory Business Trust)

COMBINED FINANCIAL STATEMENTS AND SUPPLEMENTARY INFORMATION

December 31, 2006

EXHIBIT 63
Meeks VHI
6/13/13 PK
PENGAD 800-631-6989

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SQUAR MILNER

INDEPENDENT AUDITORS' REPORT

To the Stockholder of CashCall, Inc. and Subsidiaries
To the Beneficial Owner and the Trustee of the CashCall Receivables Trust
Fountain Valley, California

We have audited the accompanying combined balance sheet of CashCall, Inc. and Subsidiaries and CashCall Receivables Trust (collectively the "Company") as of December 31, 2006, and the related combined statements of operations and retained earnings and cash flows for the year then ended. These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the combined financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the combined financial position of the Company as of December 31, 2006, and the results of their operations and their cash flows for the year then ended, in conformity with accounting principles generally accepted in the United States of America.

As discussed in Note 2, the Company restated retained earnings at January 1, 2006 to correct an error in methodology in calculating its allowance for loan losses. Such correction resulted in a reduction of the Company's accumulated deficit at January 1, 2006 approximating $20,400,000.

Our audit was conducted for the purpose of forming an opinion on the basic combined financial statements taken as a whole. The supplementary combining information is presented for purposes of additional analysis and is not a required part of the basic financial statements. Such supplementary combining information has been subjected to the auditing procedures applied in the audit of the basic combined financial statements and, in our opinion, is fairly stated in all material respects in relation to the combined financial statements taken as a whole.

Squar Milner Peterson Miranda & Williamson, LLP

Newport Beach, California
April 30, 2007

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CASHCALL, INC. AND SUBSIDIARIES
AND
CASHCALL RECEIVABLES TRUST
COMBINED BALANCE SHEET
December 31, 2006

ASSETS

Cash	$ 13,523,166
Restricted cash	7,924,136
Unsecured loans receivable, net	512,662,216
Interest receivable, net	33,372,559
Prepaid expenses and other assets	38,908,454
Property and equipment, net	10,005,166
Total assets	$ 616,395,697

LIABILITIES AND EQUITY

Accounts payable and accrued liabilities	$ 10,894,344
Notes payable	533,968,160
Due to stockholder	41,259,801
Total liabilities	586,122,305
Commitments and contingencies	
Equity	
Common stock, no par value, 10,000 shares authorized, issued and outstanding	20,000,000
Retained earnings	10,273,392
Total equity	30,273,392
Total liabilities and equity	$ 616,395,697

 The accompanying notes are an integral part of these financial statements.

CASHCALL, INC. AND SUBSIDIARIES
AND
CASHCALL RECEIVABLES TRUST
COMBINED STATEMENT OF OPERATIONS AND RETAINED EARNINGS
For the Year Ended December 31, 2006

REVENUES	
Interest income	$ 235,713,397
Loan origination income	8,308,050
Other income	6,438,396
	250,459,843
Allowance for loan losses	(90,478,759)
Net revenues	159,981,084
OPERATING EXPENSES	
Advertising	28,102,520
Personnel	41,073,693
General and administrative	67,275,786
Total operating expenses	136,451,999
NET INCOME	23,529,085
ACCUMULATED DEFICIT – JANUARY 1, 2006	33,689,640
PRIOR PERIOD ADJUSTMENT (NOTE 2)	(20,433,947)
ACCUMULATED DEFICIT – JANUARY 1, 2006, AS RESTATED	13,255,693
RETAINED EARNINGS – DECEMBER 31, 2006	$ 10,273,392

The accompanying notes are an integral part of these financial statements.

CASHCALL, INC. AND SUBSIDIARIES
AND
CASHCALL RECEIVABLES TRUST
COMBINED STATEMENT OF CASH FLOWS
For the Year Ended December 31, 2006

CASH FLOWS FROM OPERATING ACTIVITIES	
Net income	$ 23,529,085
Adjustments to reconcile net income to net cash used in operating activities:	
Depreciation and amortization	1,979,751
Allowance for loan losses	90,478,759
Changes in operating assets and liabilities:	
Restricted cash	(6,533,790)
Loans funded	(486,052,575)
Loan principal repayments	144,094,575
Interest receivable	(18,869,786)
Prepaid expenses and other assets	(33,854,910)
Accounts payable and accrued liabilities	7,119,414
Net cash used in operating activities	(278,109,747)
CASH FLOWS FROM INVESTING ACTIVITIES	
Acquisition of property and equipment	(6,797,552)
Net cash used in investing activities	(6,797,552)
CASH FLOWS FROM FINANCING ACTIVITIES	
Net borrowings on notes payable	292,825,371
Net cash provided by financing activities	292,825,371
NET INCREASE IN CASH	7,918,342
CASH – beginning of year	5,604,824
CASH – end of year	$ 13,523,166
SUPPLEMENTAL DISCLOSURE OF CASH FLOW INFORMATION	
Cash paid during the year for:	
Interest	$ 43,808,776
Income taxes	$ 767,128

 The accompanying notes are an integral part of these financial statements.

CASHCALL, INC. AND SUBSIDIARIES
AND
CASHCALL RECEIVABLES TRUST
NOTES TO COMBINED FINANCIAL STATEMENTS
December 31, 2006

1. ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Organization and Operations of CashCall

CashCall, Inc. ("CashCall"), a California corporation, operates as a specialty finance company that engages in the business of marketing, originating, selling and servicing consumer loans sourced via telephone and the Internet primarily to customers responding to radio, television and internet advertisements. In August 2006, CashCall entered into a banking relationship with First Bank and Trust Milbank South Dakota ("FBT"). This agreement allows CashCall to offer loan programs nationwide. As of December 31, 2006, CashCall originates loans in California, Nevada, New Mexico, Utah and Idaho. FBT originates loans in all other states with the exception of New York, Wisconsin, New Jersey and Maine.

CashCall is owned by one stockholder (the "sole stockholder") and has two wholly-owned subsidiaries: CashCall Financing, LLC and CashCall Financing II, LLC.

Organization and Operations of the Trust

CashCall Receivables Trust ("CCRT" or the "Trust") operates as a qualified special-purpose entity ("QSPE") engaged in the business of purchasing consumer loans from CashCall. CCRT purchases loans from CashCall (in pools of various denominations) at CashCall's then carrying value of loans whereby the Trust pays 95% of the carrying value in cash and CashCall retains a 5% residual interest.

Upon formation, the sole beneficial owner of CCRT was CashCall Financing, LLC. Christiana Bank & Trust Company ("Christiana Bank"), an unrelated Delaware banking corporation, has been designated as the Owner Trustee of CCRT. In its role as "trustee", Christiana Bank conducts the day-to-day management and operations of the CCRT, but is not personally liable for any CCRT obligations. Christiana Bank operates CCRT and holds its assets for the exclusive benefit of CCRT's beneficial owners. A Certificate of Trust has been filed pursuant to Section 3810(a) of Delaware's Statutory Trust Act (the "Trust Act").

Agreement with First Bank and Trust Milbank South Dakota

CashCall entered into a banking agreement with First Bank and Trust Milbank South Dakota whereby FBT will underwrite and fund loans from certain states based on CashCall's underwriting guidelines and requirements. The loans are held by FBT for three (3) days at which time CashCall purchases these loans. CashCall is under contractual obligation to purchase the loans originated and funded by FBT only if CashCall underwriting guidelines were followed when approving the loan. For financial reporting purposes, CashCall treats such loans as if they were funded by CashCall.

1. ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Principles of Combination

The accompanying combined financial statements have been prepared in accordance with accounting principles generally accepted in the United States of America ("GAAP") and include the accounts of CashCall, its wholly owned subsidiaries, CashCall Financing, LLC and CashCall Financing II, LLC, and CCRT (collectively the "Company"). Although the Trust is deemed to be a QSPE, it has been presented with CashCall and its subsidiaries on a combined basis because management believes such presentation encompasses the entire business. All significant intercompany accounts and transactions have been eliminated in combination.

Use of Estimates

The preparation of financial statements in conformity with GAAP requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities, the disclosure of contingent assets and liabilities at the date of the financial statements, and the reported amounts of revenues and expenses during the reporting period. Significant estimates include, among others, allowance for loan losses on unsecured loans receivable and the estimated useful lives of long-lived assets. Actual amounts could materially differ from those estimates.

Concentrations

The Company currently maintains substantially all of its cash with several major financial institutions. At times, cash balances may be in excess of the amounts insured by the Federal Deposit Insurance Corporation ("FDIC"). Cash in bank balances, including restricted cash, exceeded the FDIC limit by approximately $20.0 million at December 31, 2006.

Concentrations of credit risk with respect to unsecured loans receivable are limited because a large number of customers make up the Company's customer base. However, borrowers who are in need of short-term, high-interest-rate loans generally have less than excellent credit scores. The Company does not require collateral to support loans receivable. At December 31, 2006, no single customer represented greater than 10% of total unsecured loans receivable.

The Company has obtained substantially all of its financing from the sole stockholder and various outside lenders. The loss of any of these sources could materially impact the financial condition of the Company; however, management believes that the related risk would be limited because there are alternative financing sources.

1. ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Risks and Uncertainties

In the ordinary course of business, companies in the consumer lending industry encounter certain economic risks, including credit and market risk, and regulatory risks. Credit risk results from a borrowers' inability or unwillingness to make contractually required payments. Market risk results from the inability of prospective borrowers to engage in commitments to originate loans. Regulatory risks include administrative enforcement actions and/or civil or criminal liability resulting from any alleged failure to comply with the laws and regulations applicable to the Company's business.

Revenue Recognition

The Company generates revenue from interest income on all consumer loans. Interest income is calculated based on the loan's outstanding principal balance multiplied by the contractual interest rate. Revenues are recognized during the period between funding and repayment. Accrual of interest income is suspended when a loan is contractually delinquent for 120 days or more. Once a loan is delinquent for 120 days, the outstanding loan receivable and related interest receivable balances are charged off in full.

Unsecured Loans Receivable

Unsecured loans receivable that management has the intent and ability to hold for the foreseeable future or until maturity or payoff are reported at their outstanding unpaid principal balances, reduced by any charge off, valuation allowance and net of any deferred fees or costs on originated loans. As of December 31, 2006, management believes that it has the ability to hold all unsecured loans receivable to maturity or payoff.

The Company's estimates it allowance for loan losses based on loans with known events of impairment at the balance sheet date. The allowance for loan losses is increased by charges to income and decreased by charge offs (net of recoveries). Management's periodic evaluation of the adequacy of the allowance is based on historical experience, known and inherent risks in the portfolio and adverse situations that may effect the borrower's ability to repay. Loans are charged off when they are 120 days past due.

Cash and Restricted Cash

The Company considers all highly liquid temporary cash investments with original maturities of three months or less to be cash equivalents. The Company had no cash equivalents at December 31, 2006.

1. ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Cash and Restricted Cash (continued)

The Company maintains restricted cash funds to facilitate the repayment of its note payable to The Patriot Group, LLC (see Note 4). The funds in these accounts are restricted until both parties forward amounts to the Company's operating bank accounts.

Property and Equipment

Property and equipment are stated at cost, less accumulated depreciation and amortization. Major renewals and improvements are capitalized, while replacements, maintenance and repairs, which do not significantly improve or extend the useful life of the asset are expensed when incurred. Depreciation of property and equipment is computed using the straight-line method over the estimated useful lives of the assets, which range from three to five years. Amortization of leasehold improvements is computed using the straight-line method over the shorter of the estimated useful life or the remaining term of the related lease.

Long-Lived Assets

The Company reviews the carrying values of its long-lived assets for possible impairment whenever events or changes in circumstance indicate that the carrying amount of the assets may not be recoverable. If the cost basis of a long-lived asset is greater than the projected future undiscounted net cash flows from such asset, an impairment loss is recognized. Impairment losses are calculated as the difference between the cost basis of an asset and its estimated fair value. As of December 31, 2006, management determined that no indicators of impairment exist and, therefore, no adjustments have been made to the carrying values of long-lived assets. There can be no assurance, however, that market conditions will not change or demand for the Company's products or services will continue, which could result in impairment of long-lived assets in the future. The Company has no intangible assets, as described in Statement of Financial Accounting Standards ("SFAS") No. 142, *Goodwill and Other Intangible Assets*.

Income Taxes

CashCall has elected to be taxed as a subchapter "S" Corporation for both federal and state income tax purposes and its two wholly-owned subsidiaries are LLCs taxed as partnerships. Income taxes are the responsibility of the respective stockholders or partners. CCRT is consolidated with CashCall Financing, LLC for income tax purposes as the sole beneficial owner of the Trust. Accordingly, the Company has not provided for federal income taxes. However, the Company has recorded the minimum state income taxes of 3.5% for California.

1. ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Fair Value of Financial Instruments

SFAS No. 107, *Disclosures About Fair Value of Financial Instruments*, requires disclosure of fair value information about financial instruments when it is practicable to estimate that value. The carrying amount of the Company's cash and accounts payable and accrued liabilities approximate their estimated fair values due to the short-term maturities of those financial instruments. The carrying amount of the Company's interest receivable and note payable approximate their estimated fair values based on the present value of estimated future net cash flows.

Management has concluded that it is not practical to determine the estimated fair value of loans receivable and the amount due to the stockholder. SFAS No. 107 requires that for instruments for which it is not practicable to estimate their fair value, information pertinent to those instruments be disclosed, such as the carrying amount, interest rate, and maturity, as well as the reasons why it is not practicable to estimate fair value.

For loan receivable, management believes it is not practical to estimate fair value because (1) there has been no quoted value or market established for this unique type of loan product; (2) the Company has been in business and funded loans only since July 2003, a relatively short period of time for loans that are fully amortizable up to 10 years; (3) due to the short lending history, loan prepayment experience and future delinquency experience are not reasonably estimable to provide future cash flow estimates. See Note 2 for additional information on the Company's loan products.

For the amount due to stockholder, information related to such financial instrument is included in Note 5. Management believes it is not practical to estimate the fair value of such instrument because the transactions cannot be assumed to have been consummated at arm's length, there are no quoted values available for these instruments, and an independent valuation would not be practicable due to the lack of data regarding similar instruments, if any, and the associated potential costs.

Advertising Costs

Advertising costs consist of expenditures for various media content advertising, such as television and radio, including costs of production, airtime and commissions paid to advertising agencies. The Company expenses advertising costs as incurred. Total advertising costs approximated $28,100,000 for the year ended December 31, 2006.

2. UNSECURED LOANS, INTEREST RECEIVABLE AND ALLOWANCE FOR LOAN LOSSES

The Company offers personal loans of $20,000, $10,000, $5,075, $2,600 and $1,075 that are not secured by collateral. The $20,000 and $10,000 loans are due over the period of 120 months, the $5,075 loans are due over the period of 84 months and the other loans are due over the period of 42 months. Borrowers are scheduled to make monthly payments of principal and interest. However, borrowers can repay their loan at any time without penalty. The interest rate is the cost of the extended credit expressed as an annualized percentage and varies from 24% for $20,000 loans, 21% to 44% on $10,000 loans, 59% on $5,075 loans, 79% to 96% on $2,600 loans and 89% on $1,075 loans.

Unsecured loans receivable consists of the following at December 31, 2006:

Unsecured loans receivable	$ 542,730,041
Allowance for loan losses	(30,067,825)
Unsecured loans receivable, net	$ 512,662,216

Interest receivable consists of the following at December 31, 2006:

Interest receivable	$ 35,329,869
Allowance for interest receivable losses	(1,957,310)
Interest receivable, net	$ 33,372,559

Contractual maturities of unsecured loans receivable approximated the following for the years ending December 31:

2007	$ 41,653,000
2008	76,350,000
2009	115,781,000
2010	66,593,000
2011	27,651,000
Thereafter	214,702,041
	$ 542,730,041

During 2006, management discovered an error in its methodology to calculate its allowance for loan losses. The correction resulted in a reduction of the allowance for loan losses at January 1, 2006 approximating $20,400,000. Accordingly, the accumulated deficit at January 1, 2006 has been reduced by such amount as presented in the accompanying statement of operations and retained earnings.

3. PROPERTY AND EQUIPMENT

Property and equipment consisted of the following at December 31, 2006:

Computer equipment and software	$ 8,746,992
Autos	15,742
Machinery and equipment	1,101,737
Furniture and fixtures	2,725,202
Leasehold improvements	936,069
	13,525,742
Accumulated depreciation and amortization	(3,520,576)
	$ 10,005,166

4. NOTES PAYABLE

CapitalSource Finance, LLC

In April 2005, the Trust entered into a $325 million secured liquidating loan facility with CapitalSource Finance, LLC (the "CapSource Note"). The proceeds of such loan have been used to purchase unsecured loans receivable originated from CashCall Financing, LLC, and to finance the costs associated with closing the CapSource Note. Each advance under this credit facility ("tranche") is in minimum increments of $25 million; draw-downs are available until April 13, 2006, but cannot occur more frequently than once per month. Although the entire CapSource Note matures in September 2010, each tranche is payable in monthly installments of principal and interest over a four-year period. Borrowings are based on eligible unsecured loans receivable and bear interest at the three-month LIBOR plus 7.7% for the first two tranches and three-month LIBOR plus 6.5% for the remaining five tranches (13.07% and 11.87%, respectively, at December 31, 2006). The Company is subject to certain restrictive financial covenants and at December 31, 2006, was in compliance with all such covenants. Such loan facility is secured by the related portion of unsecured loans receivable.

4. NOTES PAYABLE (continued)

CapitalSource Finance, LLC (continued)

In May 2005, the Company paid commitment fees of approximately $2,325,000 related to the CapSource Note. Such fees are being amortized over 48 months, utilizing the interest method. The unamortized balance of approximately $1,397,900 at December 31, 2006 is included in prepaid expenses and other assets in the accompanying combined balance sheet.

Class A and Class B Syndicate

In June 2006, the Company entered into a $486 million secured revolving loan facility with various lenders that comprise a Class A and Class B syndicate. The proceeds of such loan have been used to fund loans originated by the Company. The Class A facility advances at 80% of the unsecured loans receivable originated by the Company. The Class B facility advances at 15% of the unsecured loans receivable originated by the Company (a collective advance rate of 95%). Borrowings are based on eligible unsecured loans receivable and bear interest at LIBOR plus 3.5% for Class A and LIBOR plus 8.0% for Class B (8.87% and 13.37%, respectively, at December 31, 2006). The Company is subject to certain restrictive financial covenants and at December 31, 2006, was in compliance with all such covenants. Such loan facility is secured by the related portion of unsecured loans receivable.

In May and June 2006, the Company paid commitment and brokerage fees approximating $16,460,000 related to the Class A and Class B syndicate loan facility. Such fee is being amortized over a period of 72 months, utilizing the interest method. The net balance of approximately $14,400,000 is included in prepaid expenses and other assets in the accompanying combined balance sheet.

Deutsche Bank

In October 2006, the Company entered into a $30 million secured revolving loan facility with Deutsche Bank AG. The proceeds of such loan have been used to finance loans from the national loan program until the Class A and Class B syndicate agreement was amended to accept such loans. The facility advances funds at 75% of the unsecured loans receivable originated from the national loan program. Borrowings are based on eligible unsecured loans receivable, bear interest at LIBOR plus 3.5%. The Company is subject to certain restrictive financial covenants and at December 31, 2006, was in compliance with all such covenants. In February 2007, this facility was paid off in full by financing the existing national loans through the Class A and Class B syndicate agreement. Such loan facility is secured by the related portion of unsecured loans receivable.

4. NOTES PAYABLE (continued)

CIGPF I Corp.

In September 2006, the Company entered into a $50 million term credit facility with CIGPF I Corp. The proceeds of such loan have been used to fund loans originated by the Company. Each advance under this facility is secured by the over collateralization of the secured revolving loan facility resulting in taking the overall advance rate from 95% to 100% of notes receivable from loans originated by the Company. Eligible loans must meet the criteria established by the Class A and Class B syndicate agreement. The CIGPF I Corp. note matures on September 21, 2007. Borrowings are based on eligible unsecured loans receivable and bear interest at LIBOR plus 12.75% (18.12% at December 31, 2006). The Company is subject to financial covenants and financial triggers and at December 31, 2006, was in compliance with all such covenants and financial triggers. Such loan facility is secured by the related portion of unsecured loans receivable.

The Patriot Group, LLC

In December 2006, the Company entered into a $6 million loan and security agreement with The Patriot Group, LLC. The facility advances 75% of the Company's restricted cash and bears interest at a per annum rate equal to 13.0%. The entire note matures on January 12, 2008. The Company is subject to certain restrictive financial covenants, and at December 31, 2006, the Company was in compliance with all such covenants. Such loan facility is secured by the Company's restricted cash.

Other

From July through December 2006, the Company issued unsecured notes payable to unrelated third parties for proceeds totaling approximately $3,700,000. Such notes are bear interest at 12% per annum and are due six months after issuance.

4. NOTES PAYABLE (continued)

Scheduled Maturities

The scheduled maturities of the Company's notes payable are as follows for the years ending December 31:

2007	$ 24,899,927
2008	3,000,000
2009	135,123,272
2010	41,715,573
2011	329,229,388
	$ 533,968,160

As noted above, certain notes payable provide for additional time periods beyond the scheduled maturity date.

Summary

The balances outstanding on the various credit facilities outstanding at December 31, 2006 are summarized as follows:

CapSource Note	$ 135,579,044
Class A and B Syndicate	329,229,387
Deutsche Bank	22,498,909
CIGPF I Corp.	40,000,000
The Patriot Group, LLC	3,000,000
Other	3,660,820
	$ 533,968,160

5. DUE TO STOCKHOLDER

From time to time, the Company borrows money for working capital purposes from the sole stockholder. At December 31, 2006, the total due to stockholder approximated $41,300,000. The borrowings call for interest at approximately 6% per annum and are due on demand.

6. COMMITMENTS AND CONTINGENCIES

Operating Lease

The Company leases its Fountain Valley office facility under a noncancelable operating lease expiring in September 2012. In November 2006, the Company leased office space in Las Vegas, Nevada under a lease expiring in November 2009. The lease is cancelable should the Company lease larger space from the same landlord in the Las Vegas area. Additionally, during February 2007, the Company leased supplemental office space in Anaheim, California expiring in September 2009.

Future minimum rental payments required under such leases approximate the following for the years ending December 31:

2007	$ 2,521,000
2008	2,573,000
2009	2,454,000
2010	1,909,000
2011	1,948,000
Thereafter	1,416,000
	$ 12,821,000

Rent expense approximated $1,800,000 for the year ended December 31, 2006.

Legal

On March 19, 2007, the Company was named as a defendant in a class action matter alleging the Company committed unfair business practices under California law in its lending process. The matter is in the discovery stage. The Company intends to vigorously defend itself in this matter and believes the case has no merit.

Additionally, at times, the Company is subject to various claims and actions, which arise in the ordinary course of business. Management, having consulted with its legal counsel, believes the ultimate resolution of any such claims and actions, both individually and in the aggregate, will not have a material adverse effect upon the Company's financial position or the results of its operations.

SUPPLEMENTAL INFORMATION

CASHCALL, INC. AND SUBSIDIARIES
AND
CASHCALL RECEIVABLES TRUST
COMBINING BALANCE SHEET SCHEDULE
December 31, 2006

	CashCall, Inc. and Subsidiaries	CashCall Receivables Trust	Eliminations	Combined
Assets				
Cash	$ 13,523,166	$ -	$ -	$ 13,523,166
Restricted cash	7,924,136	-	-	7,924,136
Unsecured loan receivable, net	365,511,043	147,151,173	-	512,662,216
Interest receivable, net	24,478,803	8,893,756	-	33,372,559
Prepaid expenses and other assets	46,227,571	-	(7,319,117)	38,908,454
Property and equipment, net	10,005,166	-	-	10,005,166
Retained interest in loans sold	85,389,874	-	(85,389,874)	-
Total assets	$ 553,059,759	$ 156,044,929	$ (92,708,991)	$ 616,395,697
Liabilities and Equity				
Accounts payable and accrued liabilities	$ 10,894,359	$ -	$ (15)	$ 10,894,344
Notes payable	398,389,116	135,579,044	-	533,968,160
Due to stockholder	41,259,801	-	-	41,259,801
Intercompany	7,181,847	137,269	(7,319,116)	-
Total liabilities	457,725,123	135,716,313	(7,319,131)	586,122,305
Equity				
Common stock	20,000,000	-	-	20,000,000
Retained earnings	75,334,636	20,328,616	(85,389,860)	10,273,392
Total equity	95,334,636	20,328,616	(85,389,860)	30,273,392
Total liabilities and equity	$ 553,059,759	$ 156,044,929	$ (92,708,991)	$ 616,395,697

See independent auditor's report.

CASHCALL, INC. AND SUBSIDIARIES
AND
CASHCALL RECEIVABLES TRUST
COMBINING SCHEDULE OF OPERATIONS AND RETAINED EARNINGS
For the Year Ended December 31, 2006

	CashCall, Inc. and Subsidiaries	CashCall Receivables Trust	Eliminations	Combined
REVENUES				
Interest income	$ 226,472,168	$ 120,060,191	$ (110,818,962)	$ 235,713,397
Loan origination income	8,308,050	-	-	8,308,050
Other income	3,906,912	2,531,484	-	6,438,396
	238,687,130	122,591,675	(110,818,962)	250,459,843
Provision for loan losses	(11,721,782)	(78,756,977)	-	(90,478,759)
Net revenues	226,965,348	43,834,698	(110,818,962)	159,981,084
OPERATING EXPENSES				
Advertising	28,102,520	-	-	28,102,520
Personnel	41,073,693	-	-	41,073,693
General and administrative	46,285,548	26,008,632	(5,018,394)	67,275,786
Total operating expenses	115,461,761	26,008,632	(5,018,394)	136,451,999
NET INCOME	111,503,587	17,826,066	(105,800,568)	23,529,085
RETAINED EARNINGS (ACCUMULATED DEFICIT) JANUARY 1, 2006, AS RESTATED	(22,747,087)	9,491,394	-	(13,255,693)
CONTRIBUTIONS (DISTRIBUTIONS)	(13,421,864)	(6,988,844)	20,410,708	-
RETAINED EARNINGS - DECEMBER 31, 2006	$ 75,334,636	$ 20,328,616	$ (85,389,860)	$ 10,273,392

See independent auditor's report.

EXHIBIT E

CASHCALL, INC. AND SUBSIDIARIES

CONSOLIDATED FINANCIAL STATEMENTS

December 31, 2007

EXHIBIT 64
Meeks Vol I
6/13/13 PPR
PENGAD 800-631-6989

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Consolidated Statement of Operations 3

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Consolidated Statement of Cash Flows 5

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SQUAR MILNER

INDEPENDENT AUDITORS' REPORT

To the Stockholder of CashCall, Inc. and Subsidiaries

We have audited the accompanying consolidated balance sheet of CashCall, Inc. and Subsidiaries (the "Company") as of December 31, 2007, and the related consolidated statements of operations, stockholder's equity and comprehensive loss and cash flows for the year then ended. These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the consolidated financial position of the Company as of December 31, 2007, and the results of their operations and their cash flows for the year then ended, in conformity with accounting principles generally accepted in the United States of America.

As discussed in Note 1, the Company's term credit facility with CIGPF I Corp. matures on December 31, 2008. The outcome of this matter may impact the Company's liquidity. The financial statements do not include any adjustments that might result from the outcome of this uncertainty.

Squar Milner Peterson Miranda & Williamson, LLP

Newport Beach, California
May 14, 2008

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CASHCALL, INC. AND SUBSIDIARIES
CONSOLIDATED BALANCE SHEET
December 31, 2007

ASSETS

Cash	$ 9,632,935
Restricted cash	4,847,424
Unsecured loans receivable, net	17,653,856
Interest receivable, net	1,110,911
Prepaid expenses and other assets	3,867,759
Retained interest in loans sold, at fair value	32,265,962
Property and equipment, net	12,456,709
Total assets	$ 81,835,556

LIABILITIES AND STOCKHOLDER'S EQUITY

Accounts payable and accrued liabilities	$ 10,242,820
Notes payable	24,927,395
Due to stockholder	41,259,801
Total liabilities	76,430,016
Commitments and Contingencies (Note 7)	
Stockholder's Equity	
Common stock, no par value, 10,000 shares authorized, issued and outstanding	20,000,000
Additional paid-in capital	1,900,000
Accumulated other comprehensive income	139,540
Accumulated deficit	(16,634,000)
Total stockholder's equity	5,405,540
Total liabilities and stockholder's equity	$ 81,835,556

 The accompanying notes are an integral part of these financial statements.

CASHCALL, INC. AND SUBSIDIARIES
CONSOLIDATED STATEMENT OF OPERATIONS
For the Year Ended December 31, 2007

INTEREST INCOME ON LOANS	$ 312,850,430
OTHER INTEREST INCOME	24,238,426
INTEREST INCOME ON LOANS AND OTHER	337,088,856
INTEREST EXPENSE	61,501,098
NET INTEREST INCOME ON LOANS AND OTHER	275,587,760
PROVISION FOR LOAN LOSSES	(168,604,964)
NET INTEREST INCOME AFTER PROVISION FOR LOAN LOSSES	106,982,796
OTHER INCOME	13,017,234
OPERATING EXPENSES	(145,607,397)
NET LOSS	$ (25,607,367)

CASHCALL, INC. AND SUBSIDIARIES
CONSOLIDATED STATEMENT OF STOCKHOLDER'S EQUITY AND COMPREHENSIVE LOSS
For the Year Ended December 31, 2007

	Common Stock		Additional Paid-in Capital	Retained Earnings (Accumulated (Deficit)	Accumulated Other Comprehensive Income (Loss)	Total Stockholder's Equity (Deficit)
	Shares	Amount				
BALANCE – DECEMBER 31, 2006	10,000	$ 20,000,000	$ –	$ 10,273,367	$ 13,121,301	$ 43,394,668
Comprehensive loss:	–	–	–	–	–	–
Net loss	–	–	–	(25,607,367)	–	(25,607,367)
Unrealized loss on retained interest in loans sold	–	–	–	–	(12,981,761)	(12,981,761)
Total comprehensive loss	–	–	–	–	–	(38,589,128)
Distribution to stockholder	–	–	–	(1,300,000)		(1,300,000)
Issuance of warrants	–	–	1,900,000	–	–	1,900,000
BALANCE – DECEMBER 31, 2007	10,000	$ 20,000,000	$ 1,900,000	$ (16,634,000)	$ 139,540	$ 5,405,540

The accompanying notes are an integral part of these financial statements.

CASHCALL, INC. AND SUBSIDIARIES
CONSOLIDATED STATEMENT OF CASH FLOWS
For the Year Ended December 31, 2007

CASH FLOWS FROM OPERATING ACTIVITIES	
Net loss	$ (25,607,367)
Adjustments to reconcile net loss to net cash used in operating activities:	
Depreciation and amortization	3,651,465
Provision for loan losses	168,604,964
Changes in operating assets and liabilities:	
Restricted cash	3,076,712
Interest receivable	23,367,892
Prepaid expenses and other assets	35,178,663
Accounts payable and accrued liabilities	(651,549)
Net cash used in operating activities	207,620,780
CASH FLOWS FROM INVESTING ACTIVITIES	
Loans funded	(416,735,007)
Loans sold	458,867,344
Loan principal repayments	125,321,380
Acquisition of property and equipment	(6,103,006)
Net cash used in investing activities	161,350,711
CASH FLOWS FROM FINANCING ACTIVITIES	
Net repayments on notes payable	(373,461,722)
Distributions to stockholder	(1,300,000)
Issuance of warrants	1,900,000
Net cash used in financing activities	(372,861,722)
NET DECREASE IN CASH	(3,890,231)
CASH – beginning of year	13,523,166
CASH – end of year	$ 9,632,935
SUPPLEMENTAL DISCLOSURE OF CASH FLOW INFORMATION	
Cash paid during the year for:	
Interest	$ 76,211,508
Income taxes	$ 911,259

The accompanying notes are an integral part of these financial statements.

1. ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Organization and Operations of CashCall

CashCall, Inc. ("CashCall"), a California corporation, operates as a specialty finance company that engages in the business of marketing, originating, selling and servicing consumer loans sourced via telephone and the Internet primarily to customers responding to radio, television and internet advertisements. In August 2006, CashCall entered into a banking relationship with First Bank and Trust Milbank South Dakota ("FBT"). This agreement allowed CashCall to offer loan programs nationwide. This agreement was terminated in April 2007 and replaced with a new agreement with First Bank of Delaware. As of December 31, 2007, CashCall originates loans in California, Nevada, New Mexico, Utah and Idaho. Through First Bank of Delaware, CashCall originates loans in all other states with the exception of New York, Wisconsin, New Jersey and Maine.

CashCall is owned by one stockholder (the "sole stockholder") and has two wholly-owned subsidiaries: CashCall Financing, LLC and CashCall Financing II, LLC.

Liquidity

The Company's term credit facility with CIGPF I Corp. discussed in Note 5 matures on December 31, 2008. While management believes that such credit facility will be successfully extended, renewed, or refinanced prior to such maturity in the normal course of business, there can be no assurance that management's efforts will be successful. The outcome of this matter may impact the Company's liquidity. The financial statements do not include any adjustments that might result from the outcome of this uncertainty.

Agreement with First Bank and Trust Milbank South Dakota and First Bank of Delaware

As noted above, CashCall entered into a banking agreement with FBT whereby FBT underwrote and funded loans from certain states based on CashCall's underwriting guidelines and requirements. The loans were held by FBT for three (3) days at which time CashCall purchased these loans. CashCall was under a contractual obligation to purchase the loans originated and funded by FBT only if CashCall's underwriting guidelines were followed when approving the loan. For financial reporting purposes, CashCall treated such loans as if they were funded by CashCall.

In April 2007, CashCall terminated the agreement with FBT and entered into a new agreement with First Bank of Delaware similar to the FBT arrangement.

1. ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Principles of Consolidation

The accompanying consolidated financial statements have been prepared in accordance with accounting principles generally accepted in the United States of America ("GAAP") and include the accounts of CashCall and its wholly owned subsidiaries CashCall Financing, LLC and CashCall Financing II, LLC (collectively the "Company"). All significant intercompany accounts and transactions have been eliminated in consolidation.

Use of Estimates

The preparation of financial statements in conformity with GAAP requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities, the disclosure of contingent assets and liabilities at the date of the financial statements, and the reported amounts of revenues and expenses during the reporting period. Significant estimates include, among others, the estimated fair value of returned interest in loans sold, [allowance for loan losses on unsecured loans receivable] and the estimated useful lives of long-lived assets. Actual amounts could materially differ from those estimates.

Concentrations

The Company currently maintains substantially all of its cash with several major financial institutions. At times, cash balances may be in excess of the amounts insured by the Federal Deposit Insurance Corporation ("FDIC"). Cash in bank balances, including restricted cash, exceeded the FDIC limit by approximately $13.8 million at December 31, 2007.

Concentrations of credit risk with respect to unsecured loans receivable are limited because a large number of customers make up the Company's customer base. However, borrowers who are in need of short-term, high-interest-rate loans generally have less than average credit scores and the Company does not require collateral to support these loans. At December 31, 2007, no single customer represented greater than 10% of total unsecured loans receivable.

The Company has obtained substantially all of its financing from the sole stockholder and various outside lenders. The loss of any of these sources could materially impact the financial condition of the Company; however, management believes that the related risk would be limited because of alternative financing sources.

1. ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Risks and Uncertainties

In the ordinary course of business, companies in the consumer lending industry encounter certain economic and regulatory risks. Economic risks include credit risk, interest rate risk and market risk. Credit risk is the risk of default, primarily in the loan portfolio that results from borrowers' inability or unwillingness to make contractually required payments. Interest rate risk is the risk that the valuation of the Trust's interest sensitive assets and liabilities and its net interest income will change due to changes in interest rates. Market risk includes the inability of prospective borrowers to engage in commitments to originate loans. Regulatory risks include administrative enforcement actions and/or civil or criminal liability resulting from any alleged failure to comply with the laws and regulations applicable to the Trust's business.

Interest Recognition

Interest income on consumer loans are calculated based on the loan's outstanding principal balance multiplied by the contractual interest rate. Interest is recognized during the period between funding and repayment. Accrual of interest income is suspended when a loan is contractually delinquent for 120 days or more. Once a loan is delinquent for 120 days, the outstanding loan receivable and related interest receivable balances are charged off in full.

Unsecured Loans Receivable

Unsecured loans receivable that management has the intent and ability to hold for the foreseeable future or until maturity or payoff are reported at their outstanding unpaid principal balances, reduced by any charge off, valuation allowance and net of any deferred fees or costs on originated loans. As of December 31, 2007, management believes that it has the ability to hold all unsecured loans receivable to maturity or payoff. The Company estimates its allowance for loan losses based on loans with known events of impairment at the balance sheet date. The allowance for loan losses is increased by charges to income and decreased by charge offs (net of recoveries). Management's periodic evaluation of the adequacy of the allowance is based on historical experience, known and inherent risks in the portfolio and adverse situations that may affect the borrower's ability to repay. Loans are charged off when they are 120 days past due.

1. ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Retained Interests in Loans Sold

Transfers of unsecured loans receivable are done so on a non-recourse basis to off-balance sheet qualifying special-purpose entities ("QSPEs") that meet the criteria for surrender of control under Statement of Financial Accounting Standards ("SFAS") No. 140, *Accounting for Transfers and Servicing of Financial Assets and Extinguishments of Liabilities - A Replacement of FASB Statement 125* and are accounted for as sales. At the time of sale, the Company has, from time to time, retained the right to 5% of the principal of unsecured loans receivable transferred and the rights to excess interest income, net of certain costs incurred by the QSPE, which is hereinafter referred to as the "retained interest". A gain or loss is recorded at the date of the sale based upon, in part, the previous carrying amount of the receivables involved in the transfer allocated among the assets sold and the retained interests based on their relative estimated fair values at the date of the transfer. Fair value is generally estimated based on the present value of the estimated future cash flows expected using management's assumptions.

Residual interests are accounted for as available-for-sale securities and are measured at estimated fair value; any unrealized gains or losses, net of taxes, due to changes in the valuation of the retained interest are excluded from current period earnings and reported as other comprehensive income (loss), which is a separate component of stockholder's equity. Impairment that is considered other-than-temporary is charged directly to the statements of operations. Realized gains or losses on sales of retained interests are computed by the specific identification method at the time of disposition and recorded in earnings. Interest accretion on residual interests is recorded on the accrual basis.

The Company estimates the fair value of the residual interests by calculating the present value of the estimated expected future cash flows to be retained by using loss factors and prepayment and discount rates that the Company believes are commensurate with the risks associated with the cash flows. The Company discounts the applicable cash flows using the dates that such cash flows are expected to be released to the Company (the cash-out method).

The Company does not record an asset or liability related to servicing as it is not deemed practicable to estimate revenues, expenses and adequate compensation. Practicability is limited because of the limited history of the underlying unsecured loans receivable, insufficient statistics regarding elements of the Company's loan products and the lack of a market for servicing this type of loan product.

Cash Equivalents and Restricted Cash

The Company considers all highly liquid temporary cash investments with original maturities of three months or less to be cash equivalents. The Company had no cash equivalents at December 31, 2007.

1. ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Cash Equivalents and Restricted Cash (continued)

The Company is required under their agreement with First Bank of Delaware to maintain restricted cash funds in their First Bank of Delaware account. Restricted cash balances were $4,847,424 at December 31, 2007.

Property and Equipment

Property and equipment are stated at cost, less accumulated depreciation and amortization. Major renewals and improvements are capitalized, while replacements, maintenance and repairs, which do not significantly improve or extend the useful life of the asset are expensed when incurred. Depreciation of property and equipment is computed using the straight-line method over the estimated useful lives of the assets, which range from three to five years. Amortization of leasehold improvements is computed using the straight-line method over the shorter of the estimated useful life or the remaining term of the related lease.

Long-Lived Assets

The Company reviews the carrying values of its long-lived assets for possible impairment whenever events or changes in circumstance indicate that the carrying amount of the assets may not be recoverable. If the cost basis of a long-lived asset is greater than the projected future undiscounted net cash flows from such asset, an impairment review is conducted. Impairment losses are calculated as the difference between the cost basis of an asset and its estimated fair value. As of December 31, 2007, management determined that no impairment existed and, therefore, no adjustments have been made to the carrying values of long-lived assets. There can be no assurance, however, that market conditions will not change or demand for the Company's products or services will continue, which could result in impairment of long-lived assets in the future.

Income Taxes

CashCall has elected to be taxed as an "S" Corporation for both federal and state income tax purposes and its two wholly-owned subsidiaries are LLCs taxed as partnerships. Income taxes are the responsibility of the respective stockholders or partners. Accordingly, the Company has not provided for federal income taxes. However, CashCall is subject to a California income tax of 3.5%.

1. ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Fair Value of Financial Instruments

SFAS No. 107, *Disclosures About Fair Value of Financial Instruments*, requires disclosure of fair value information about financial instruments when it is practicable to estimate that value. The carrying amount of the Company's cash and accounts payable and accrued liabilities approximate their estimated fair values due to the short-term maturities of those financial instruments. The carrying amount of the Company's interest receivable and note payable approximate their estimated fair values based on the present value of estimated future net cash flows.

Management has concluded that it is not practical to determine the estimated fair value of loans receivable and the amount due to the stockholder. SFAS No. 107 requires that for instruments for which it is not practicable to estimate their fair value, information pertinent to those instruments be disclosed, such as the carrying amount, interest rate, and maturity, as well as the reasons why it is not practicable to estimate fair value.

For loan receivable, management believes it is not practical to estimate fair value because (1) there has been no quoted value or market established for this unique type of loan product; (2) the Company has been in business and funded loans only since July 2003, a relatively short period of time for loans that are fully amortizable up to 10 years; (3) due to the short lending history, loan prepayment experience and future delinquency experience are not reasonably estimable to provide future cash flow estimates. See Note 2 for additional information on the Company's loan products.

For the amount due to stockholder, information related to such financial instrument is included in Note 6. Management believes it is not practical to estimate the fair value of such instrument because the transactions cannot be assumed to have been consummated at arm's length, there are no quoted values available for these instruments, and an independent valuation would not be practicable due to the lack of data regarding similar instruments, if any, and the associated potential costs.

Advertising Costs

Advertising costs consist of expenditures for various media content advertising, such as television and radio, including costs of production, airtime and commissions paid to advertising agencies. The Company expenses advertising costs as incurred. Total advertising costs approximated $21,175,000 for the year ended December 31, 2007.

2. UNSECURED LOANS, INTEREST RECEIVABLE AND ALLOWANCE FOR LOAN LOSSES

The loan portfolio contains personal loans of $10,000, $5,075, $2,600 and $1,500 that are not secured by collateral. The $10,000 loan is due over the period of 120 months, the $5,075 loan is due over the period of 84 months, the $2,600 loan is due over the period of 42 months and the $1,500 loan is due over a period of 12 months. Borrowers are scheduled to make monthly payments of principal and interest. However, borrowers can repay their loan at any time without penalty. The interest rate is the cost of the extended credit expressed as an annualized percentage and varies from 29% to 59% on $10,000 loans, 69% on $5,075 loans, 96% on $2,600 loans and 48% on $1,500 loans.

Unsecured loans receivable consists of the following at December 31, 2007:

Unsecured loans receivable	$ 22,511,180
Allowance for losses	(4,857,324)
Unsecured loans receivable, net	$ 17,653,856

Interest receivable consists of the following at December 31, 2007:

Interest receivable	$ 1,395,564
Allowance for losses	(284,653)
Interest receivable, net	$ 1,110,911

Contractual maturities of unsecured loans receivable are as follows for the years ending December 31:

2008	$ 2,672,130
2009	3,693,388
2010	5,086,833
2011	3,011,490
2012	1,249,941
Thereafter	6,797,398
	$ 22,511,180

3. BENEFICIAL INTEREST IN TRUST

During April 2005, CashCall formed CashCall Financing, LLC ("CashCall Financing"), a Delaware limited liability company, with CashCall as the sole member. CashCall Financing was formed to facilitate the transfer of unsecured loans receivable from CashCall to the CashCall Receivables Trust (the "Trust"), a qualified special purpose entity, as described in SFAS No. 140. CashCall Financing has been designated as the sole beneficial owner of the Trust, as defined in the Amended and Restated Trust Agreement dated April 25, 2005. Christiana Bank & Trust Company, an unrelated Delaware banking corporation, has been designated as the owner trustee, as defined.

As the sole beneficiary of the Trust, CashCall Financing receives distributions from the Trust as they become available to the Trust under the terms of the Secured Liquidating Loan Facility dated April 25, 2005 between the Trust and CapitalSource Finance LLC ("CapSource"), after payment of loan servicing fees to the Company and Trust administrative expenses. Such administrative expenses historically have not been significant. The Trust remits a portion of its cash receipts from borrower loan payments to CapSource representing principal and interest on the Trust's debt to CapSource under the terms of the Secured Liquidating Loan Facility. Any remaining cash is then available for distribution by the Trust to CashCall Financing.

The Company determines the estimated fair values of its retained interest by discounting the expected net cash flows to be received utilizing the cash-out method. The Company uses assumptions (primarily for losses and prepayments) that management believes are consistent with assumptions for this asset class. The Company continually evaluates the various assumptions utilized in estimating the fair value of its retained interest and updates them as deemed necessary based upon the development of historical vintage data and management's review of current trends, such as having prices and economic trends, and loan characteristics. Such retained interest valuation remains, however, subject to volatility due to fluctuations in the performance of the underlying collateral and in the accuracy of the assumptions utilized by the Company.

Key economic assumptions used in subsequently measuring the fair value of the Company's residual interests as of December 31, 2007 are as follows.

Weighted average annual prepayment speed	27.3%
Weighted average annual credit losses	17.2%
Weighted average annual discount rate	36.3%

3. BENEFICIAL INTEREST IN TRUST (continued)

At December 31, 2007, the sensitivities of the current fair values of the retained interest to certain changes in key assumptions are presented in the following table. These sensitivities are hypothetical and should be used with caution. Changes in fair value based upon a variation in an assumption generally cannot be extrapolated because the relationship of the change in assumption to the change in fair value may not be linear. In addition, the effect of a variation of a particular assumption on the fair value of the retained interest is calculated independently of changing any other assumptions; in reality, changes in one factor may result in changes in another, which may magnify or counteract the sensitivity impact.

Balance of retained interest at fair value	$ 32,265,962
Decline in fair value from change in:	
Weighted average annual prepayment speed (CPR):	
Increase CPR 10%	$ (162,871)
Increase CPR 20%	$ (322,851)
Weighted average net lifetime credit losses:	
Adverse 10%	$ (1,531,695)
Adverse 20%	$ (3,051,592)
Discount rate:	
Increase 10%	$ (1,505,724)
Increase 20%	$ (2,867,705)

4. PROPERTY AND EQUIPMENT

Property and equipment consisted of the following at December 31, 2007:

Computer equipment and software	$ 12,616,814
Furniture and fixtures	5,017,459
Leasehold improvements	1,110,902
Autos	15,742
	18,760,917
Accumulated depreciation and amortization	(6,304,208)
	$ 12,456,709

5. NOTES PAYABLE

Class A and Class B Syndicate

In June 2006, the Company entered into a $486 million secured revolving loan facility with various lenders that comprised a Class A and Class B syndicate (collectively, the "Loan Facility") to fund unsecured loans originated by the Company. The Class A facility advanced funds at 80% of the loans receivable originated by the Company and the Class B facility advanced funds at 15% of the loans receivable originated by the Company (a collective advance rate of 95%). Borrowings were based on eligible loans receivable and bore interest at LIBOR plus 3.5% for Class A and LIBOR plus 8.0% for Class B. The Loan Facility was secured by the related portion of the aforementioned loans receivable.

In December 2007, the Company sold the Class A and Class B loan portfolio, including servicing rights, for approximately $459 million effectively terminating the Loan Facility. The sale met the criteria in SFAS No. 140 and resulted in a gain of approximately $60,000, which has been reported as other income in the accompanying consolidated statement of operations for the year ended December 31, 2007. The proceeds from this sale were used in part to repay all of the outstanding balance of the Loan Facility. The Company subservices the sold loans for an annual fee equal to 7% of the average receivable balance for such loans.

In connection with the aforementioned December 2007 transaction, the Company issued warrants to the buyer for the purchase of 1,099 shares of the Company's common stock (representing approximately 10% of the fully diluted outstanding common shares at such time) at an exercise price of $0.01 per share. The warrants contain anti-dilution provisions, and (except as otherwise described in the related agreement) expire ten years after issuance. Based on an independent valuation, management determined that the estimated fair value of such warrants approximated $1.9 million on the transaction date and allocated this amount (from the sale proceeds) to the warrants.

The warrants include a "put" right, whereby the warrant holder (the "Holder") may under certain conditions require the Company to cash settle the warrants. The sale of a majority equity interest in the Company is the event that could trigger settlement of the put right. If the Company is required by the structure of any such transaction to cash settle the warrants, the purchase price will be an amount equal to their estimated fair market value immediately prior to consummating a sale transaction. However, under the terms of the warrant agreement, the Holder's contingent put right will be null and void if (a) the consideration paid by a buyer of the Company's common stock consists solely of cash and/or capital stock of a publicly held entity or (b) the Company does not have sufficient cash legally available to fully satisfy the put right. If the warrant put right must be cash settled (for reasons described above), the sole stockholder of the Company presently intends to finance such payment from (1) the proceeds he will receive from selling a majority equity interesting in the Company and/or (2) other personal assets.

5. NOTES PAYABLE (continued)

CIGPF I Corp.

In September 2006, the Company entered into a $50 million term credit facility with CIGPF I Corp. The proceeds of such loan have been used to fund loans originated by the Company. Each advance under this facility is secured by the over collateralization of the Secured Revolving Loan Facility resulting in taking the overall advance rate from 95% to 100% of notes receivable from loans originated by the Company. The CIGPF I Corp. note matures on December 31, 2008. Borrowings are based on eligible unsecured loans receivable and bear interest at LIBOR plus 12.75% (18.07% at December 31, 2007). The Company is subject to financial covenants and financial triggers and at December 31, 2007, was in compliance with all such covenants and financial triggers. Such loan facility is secured by the related portion of unsecured loans receivable.

Other

From July through December 2007, the Company issued unsecured notes payable to unrelated third parties for proceeds approximating $2,300,000. Such notes bear interest at 12% per annum and are due six months after issuance.

Summary

All of the Company's notes payable mature in 2008. The balances outstanding on notes payable at December 31, 2007 are summarized as follows:

CIGPF I Corp.	$ 22,647,863
Other	2,279,532
	$ 24,927,395

6. DUE TO STOCKHOLDER

From time to time, the Company borrows money for working capital purposes from the sole stockholder. At December 31, 2007, the total due to stockholder approximated $41,300,000. The borrowings call for interest at approximately 6% per annum and are due on demand.

7. COMMITMENTS AND CONTINGENCIES

Operating Lease

During February 2008, the Company cancelled its lease for office space in Fountain Valley, California and moved its primary offices to Anaheim, California. The Anaheim operating lease expires in September 2009. The Company also leases office space in Las Vegas, Nevada under an operating lease expiring in November 2009.

Future minimum rental payments required under such leases approximate the following for the years ending December 31:

2008	$ 4,111,458
2009	2,372,687
	$ 6,484,145

Rent expense approximated $5,189,000 for the year ended December 31, 2007.

Legal

On March 19, 2007 and October 2, 2007, the Company was named as a defendant in two class action matters alleging the Company committed unfair business practices under California law in its lending process. The hearings on these matters are still pending. The Company intends to vigorously defend itself in these matters and believes the cases have no merit.

The Company was named as a defendant in several lawsuits filed by borrowers alleging the Company violated California's Rosenthal Fair Debt Collections Act or other customer privacy acts. The cases are in various stages and final litigation is still pending. The Company intends to defend itself on these matters and believes the cases have no merit.

The Company has also been named as a defendant in an employee overtime matter. The case is in the discovery stage and the Company intends to continue to defend the matter vigorously.

Additionally, at times, the Company is subject to various claims and actions, which arise in the ordinary course of business. Management, having consulted with its legal counsel, believes the ultimate resolution of any such claims and actions, both individually and in the aggregate, will not have a material adverse effect upon the Company's financial position or the results of its operations.

8. EMPLOYEE BENEFIT PLAN

The Company offers a defined contribution 401(k) plan with discretionary Company contributions. To become eligible, employees must be at least 21 years of age, have been employed for a minimum of 6 months, and worked at least 500 hours during that period. The Company did not contribute to the 401(k) plan for the year ended December 31, 2007.

EXHIBIT F

CASHCALL, INC.

FINANCIAL STATEMENTS

December 31, 2008

EXHIBIT 65
Meeks Vol I
6/13/13 PGN

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SQUAR MILNER

INDEPENDENT AUDITORS' REPORT

To the Stockholder of CashCall, Inc.

We have audited the accompanying balance sheet of CashCall, Inc. (the "Company") as of December 31, 2008, and the related statements of operations, stockholder's equity and cash flows for the year then ended. These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the Company as of December 31, 2008, and the results of their operations and their cash flows for the year then ended, in conformity with accounting principles generally accepted in the United States of America.

As discussed in Note 1, the Company's term credit facility with CIGPF I Corp. matures on December 15, 2009. The outcome of this matter may impact the Company's liquidity. The financial statements do not include any adjustments that might result from the outcome of this uncertainty.

Squar Milner Peterson Miranda & Williamson, LLP

Newport Beach, California
March 23, 2009

SQUAR, MILNER, PETERSON, MIRANDA & WILLIAMSON, LLP

4100 Newport Place Drive, Third Floor | Newport Beach, CA 92660 Tel: 949-222-2999 | Fax: 949-222-2989

Los Angeles Newport Beach San Diego Cayman Islands

CASHCALL, INC.
BALANCE SHEET
December 31, 2008

ASSETS

Cash	$ 2,013,034
Restricted cash	4,004,268
Unsecured loans held for sale, at lower of cost or market	27,722,874
Interest receivable	2,527,990
Prepaid expenses and other assets	4,101,197
Retained interest in loans sold, at fair value	58,108,279
Property and equipment, net	9,258,816
Total assets	$ 107,736,458

LIABILITIES AND STOCKHOLDER'S EQUITY

Accounts payable and accrued liabilities	$ 11,766,992
Notes payable	49,031,623
Due to stockholder	41,259,801
Total liabilities	102,058,416
Commitments and Contingencies (Note 6)	
Stockholder's Equity	
Common stock, no par value, 10,000 shares authorized, issued and outstanding	20,000,000
Additional paid-in capital	1,900,000
Accumulated other comprehensive income	139,540
Accumulated deficit	(16,361,498)
Total stockholder's equity	5,678,042
Total liabilities and stockholder's equity	$ 107,736,458

The accompanying notes are an integral part of these financial statements.

CASHCALL, INC.
STATEMENT OF OPERATIONS
For the Year Ended December 31, 2008

INTEREST INCOME	$ 21,113,061
INTEREST EXPENSE	(7,314,861)
NET INTEREST INCOME	13,798,200
SERVICING INCOME	27,776,052
INCOME FROM RETAINED INTEREST IN LOANS SOLD	27,324,070
OTHER	(2,785,230)
TOTAL REVENUE	66,113,092
TOTAL EXPENSE	65,840,590
NET INCOME	$ 272,502

 The accompanying notes are an integral part of these financial statements.

CASHCALL, INC.
STATEMENT OF STOCKHOLDER'S EQUITY
For the Year Ended December 31, 2008

	Common Stock Shares	Common Stock Amount	Additional Paid-in Capital	Retained Earnings (Accumulated (Deficit)	Accumulated Other Comprehensive Income	Total Stockholder's Equity
BALANCE – DECEMBER 31, 2007	10,000	$ 20,000,000	$ 1,900,000	$ (16,634,000)	$ 139,540	$ 5,405,540
Net income	–	–	–	272,502	–	272,502
BALANCE – DECEMBER 31, 2008	10,000	$ 20,000,000	$ 1,900,000	$ (16,361,498)	$ 139,540	$ 5,678,042

The accompanying notes are an integral part of these financial statements.

CASHCALL, INC.
STATEMENT OF CASH FLOWS
For the Year Ended December 31, 2008

CASH FLOWS FROM OPERATING ACTIVITIES	
Net income	$ 272,502
Adjustments to reconcile net loss to net cash used in operating activities:	
Depreciation and amortization	3,679,405
Loss on sale of fixed assets	645,805
Change in fair value of loans held for sale	7,093,789
Loans originated, net of principal repayments	(17,070,118)
Changes in operating assets and liabilities:	
Restricted cash	843,156
Interest receivable	(1,509,768)
Prepaid expenses and other assets	(233,437)
Retained interest in loans sold	(25,842,317)
Accounts payable and accrued liabilities	1,524,172
Net cash used in operating activities	(30,596,811)
CASH FLOWS FROM INVESTING ACTIVITIES	
Proceeds from the disposal of fixed assets	416,000
Acquisition of property and equipment	(1,543,317)
Net cash used in investing activities	(1,127,317)
CASH FLOWS FROM FINANCING ACTIVITIES	
Net borrowings on notes payable	24,104,227
Net cash provided by financing activities	24,104,227
NET DECREASE IN CASH	(7,619,901)
CASH – beginning of year	9,632,935
CASH – end of year	$ 2,013,034
SUPPLEMENTAL DISCLOSURE OF CASH FLOW INFORMATION	
Cash paid during the year for:	
Interest	$ 7,314,861
Income taxes	$ 119,847

The accompanying notes are an integral part of these financial statements.

CASHCALL, INC.
NOTES TO FINANCIAL STATEMENTS
December 31, 2008

1. ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Organization and Operations of CashCall

CashCall, Inc. ("CashCall" or "the Company") , a California corporation, operates as a specialty finance company that engages in the business of marketing, originating, selling and servicing consumer loans sourced via telephone and the Internet primarily to customers responding to radio, television and internet advertisements. In April 2007, CashCall entered into a banking relationship with First Bank of Delaware, which allowed CashCall to offer loan programs nationwide. This agreement was terminated in November 2008. As of December 31, 2008, CashCall originates loans in California, Nevada, New Mexico, Utah and Idaho. Through First Bank of Delaware, CashCall originated loans in all other states with the exception of New York, Wisconsin, New Jersey and Maine.

CashCall is owned by one stockholder (the "sole stockholder").

Liquidity

The Company's term credit facility with CIGPF I Corp., discussed in Note 4, matures on December 15, 2009. While management believes that such credit facility will be successfully extended, renewed, or refinanced prior to such maturity in the normal course of business, there can be no assurance that management's efforts will be successful. The outcome of this matter may impact the Company's liquidity. The financial statements do not include any adjustments that might result from the outcome of this uncertainty.

Agreement with First Bank of Delaware

As noted above, in April 2007 CashCall entered into a banking agreement with First Bank of Delaware ("FBT") whereby First Bank of Delaware underwrote and funded loans from certain states based on CashCall's underwriting guidelines and requirements. The loans were held by FBT for three (3) days at which time CashCall purchased these loans. CashCall was under a contractual obligation to purchase the loans originated and funded by FBT only if CashCall's underwriting guidelines were followed when approving the loan. For financial reporting purposes, CashCall treated such loans as if they were funded by CashCall. Such agreement was terminated in November 2008.

Use of Estimates

The preparation of financial statements in conformity with U.S. Generally Accepted Accounting Principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities, the disclosure of contingent assets and liabilities at the date of the financial statements, and the reported amounts of revenues and

1. **ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES** (continued)

Use of Estimates (continued)

expenses during the reporting period. Significant estimates include, among others, the estimated fair value of retained interest in loans sold, valuation allowance on loans held for sale and the estimated useful lives of long-lived assets. Actual amounts could materially differ from those estimates.

Concentrations

The Company currently maintains substantially all of its cash with several major financial institutions. At times, cash balances, including restricted cash, may be in excess of the amounts insured by the Federal Deposit Insurance Corporation.

Concentrations of credit risk with respect to unsecured loans receivable are limited because a large number of customers make up the Company's customer base. However, borrowers who are in need of short-term, high-interest-rate loans generally have less than average credit scores and the Company does not require collateral to support these loans. At December 31, 2008, no single customer represented greater than 10% of total unsecured loans receivable.

The Company has obtained substantially all of its financing from the sole stockholder and various outside lenders. The loss of any of these sources could materially impact the financial condition of the Company; however, management believes that the related risk would be limited because of alternative financing sources.

Risks and Uncertainties

In the ordinary course of business, companies in the consumer lending industry encounter certain economic and regulatory risks. Economic risks include credit risk, interest rate risk and market risk. Credit risk is the risk of default, primarily in the loan portfolio that results from borrowers' inability or unwillingness to make contractually required payments. Interest rate risk is the risk that the valuation of the Trust's interest sensitive assets and liabilities and its net interest income will change due to changes in interest rates. Market risk includes the inability of prospective borrowers to engage in commitments to originate loans. Regulatory risks include administrative enforcement actions and/or civil or criminal liability resulting from any alleged failure to comply with the laws and regulations applicable to the Trust's business.

1. ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Interest Recognition

Interest income on consumer loans are calculated based on the loan's outstanding principal balance multiplied by the contractual interest rate. Interest is recognized during the period between funding and repayment. Accrual of interest income is suspended when a loan is contractually delinquent for 150 days or more. Once a loan is delinquent for 150 days, the outstanding loan receivable and related interest receivable balances are charged off in full.

Unsecured Loans Held for Sale

The Company has historically sold a significant portion of its loans to third party investors. Accordingly, the loans receivable balance as of December 31, 2008 is considered held for sale. As such, the loans are carried at the lower of cost or market. For purposes of determining market value, loans are aggregated into two groups. Loans that are current with regard to interest and principal payments are one group, loans that are in a delinquency status are in another group. Current loans are carried at cost as the market value of such loans, as determined by management is in excess of the carrying value. Delinquent loans are carried at market. Market value for delinquent loans is determined by management using delinquency rates and roll rate analysis. A valuation allowance of $4,138,068 was established as of December 31, 2008 to reflect the excess of cost over market value for the delinquent group of loans.

Retained Interests in Loans Sold

The Company periodically transfers loans to investors in transactions that are accounted for as sales pursuant to Statement of Financial Accounting Standards ("SFAS") No. 140, *Accounting for Transfers and Servicing of Financial Assets and Extinguishment of Liabilities* ("SFAS 140"). The sales typically result in the company transferring the assets to a bankruptcy remote special purpose entity ("SPE") in exchange for cash and a residual interest in the SPE. The SPE are structured as Qualified Special Purpose Entities ("QSPE") under SFAS 140 and accordingly are not consolidated in the financial statements of the Company.

The Company retains the rights to service the loans, but believes that the servicing fees collected represent adequate compensation for servicing and accordingly, no asset for servicing rights is recorded. Servicing fees are recognized when the periodic remittance cycle is completed.

1. ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Retained Interests in Loans Sold (continued)

The residual interests represent the fair value of the cash flows expected to be returned to the Company pursuant to the terms of the transactions documents. These documents specify the way in which cash is allocated to the various investors in the QSPE. The Company's residual interests are subordinated to other investors in the QSPE's and as such are fully exposed to losses from the entire pool of loans.

As of January 1, 2008, the Company elected to account for its residual interests at fair value with changes in such fair value recorded in current earnings. This election was made pursuant to the provisions of SFAS No. 159, *The Fair Value Option for Financial Assets and Financial Liabilities.* The election was made in order to simplify the record keeping and income recognition related to the residual interest.

The Company estimates the fair value of the residual interests by estimating the amount and timing of cash flows to be received using assumptions about such cash flows that management believes market participants would use in evaluating the residual interests. Key assumptions include the default rate of the underlying loans and the rate at which underlying loans are prepaid. Defaults are assumed to have a 100% loss severity. The Company applies assumptions based on the product type and age of the loan pools. Assumed defaults rates range from 1.0% to 6.0% per month and assumed prepayments rates range from 0.4% to 4.0% per month. Default and prepayment rates impact each other and changes in a single assumption are not relevant. For example, an increase in prepayment speeds will generally result in lower defaults.

A discount rate is then applied which management believes represents the rate that an investor in these cash flows would apply in the current circumstances. This rate assumes that the buyer and seller are independent and that the sale is not a forced or liquidation sale. The discount rates used are in excess of 25%. Management believes that there is no observable market for residual interests such as it holds, accordingly, these assets are considered to be Level III assets pursuant to the provisions of SFAS No. 157, *Fair Value Measurements* ("SFAS 157"), and were considered as such throughout the entire year.

Activity in the Residual Interest Account for the year ended December 31, 2008 was as follows:

Balance at December 31, 2007	$ 32,265,962
Retained interest income and loan sales	25,842,317
Balance at December 31, 2008	$ 58,108,279

1. ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Cash Equivalents and Restricted Cash

The Company considers all highly liquid temporary cash investments with original maturities of three months or less to be cash equivalents.

The Company maintains bank accounts to collect and remit funds as part of servicing agreements with various entities. Restricted cash balances related to such accounts were $4,004,268 at December 31, 2008.

Property and Equipment

Property and equipment are stated at cost, less accumulated depreciation and amortization. Major renewals and improvements are capitalized, while replacements, maintenance and repairs, which do not significantly improve or extend the useful life of the asset are expensed when incurred. Depreciation of property and equipment is computed using the straight-line method over the estimated useful lives of the assets, which range from three to five years. Amortization of leasehold improvements is computed using the straight-line method over the shorter of the estimated useful life or the remaining term of the related lease.

Long-Lived Assets

In accordance with SFAS No. 144, *Accounting for the Impairment of Long-Lived Assets and for Long-Lived Assets to be Disposed Of*, the Company reviews the carrying values of its long-lived assets for possible impairment whenever events or changes in circumstance indicate that the carrying amount of the assets may not be recoverable. If the cost basis of a long-lived asset is greater than the projected future undiscounted net cash flows from such asset, an impairment review is conducted. Impairment losses are calculated as the difference between the cost basis of an asset and its estimated fair value. As of December 31, 2008, management determined that no impairment existed and, therefore, no adjustments have been made to the carrying values of long-lived assets. There can be no assurance, however, that market conditions will not change or demand for the Company's products or services will continue, which could result in impairment of long-lived assets in the future.

Income Taxes

CashCall has elected to be taxed as an "S" Corporation for both federal and state income tax purposes. Income taxes are the responsibility of the respective stockholders or partners. Accordingly, the Company has not provided for federal income taxes. However, CashCall is subject to a California income tax of 3.5%.

1. ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Fair Value of Financial Instruments and Certain Other Assets and Liabilities

SFAS No. 107, *Disclosures About Fair Value of Financial Instruments*, requires disclosure of fair value information about financial instruments when it is practicable to estimate that value. The carrying amount of the Company's cash and accounts payable and accrued liabilities approximate their estimated fair values due to the short-term maturities of those financial instruments.

For the amount due to stockholder, information related to such financial instrument is included in Note 5. Management believes it is not practical to estimate the fair value of such instrument because the transactions cannot be assumed to have been consummated at arm's length, there are no quoted values available for these instruments, and an independent valuation would not be practicable due to the lack of data regarding similar instruments, if any, and the associated potential costs.

Except as described above in "Retained Interests in Loans Sold" the Company does not have any assets and liabilities that are measured at fair value on a recurring basis and, during the year ended December 31, 2008, did not have any assets and liabilities that were measured at fair value on a non-recurring basis. The measurements referenced in the preceding sentence refer to those described in SFAS 157.

Advertising Costs

Advertising costs consist of expenditures for various media content advertising, such as television and radio, including costs of production, airtime and commissions paid to advertising agencies. The Company expenses advertising costs as incurred. Total advertising costs totaled $5,697,299 for the year ended December 31, 2008.

2. UNSECURED LOANS HELD FOR SALE AND INTEREST RECEIVABLE

The loan portfolio contains personal loans of $10,000, $5,075, $2,600 and $1,500 that are not secured by collateral. The $10,000 loan is due over the period of 120 months, the $5,075 loan is due over the period of 84 months, the $2,600 loan is due over the period of 42 months and the $1,500 loan is due over a period of 12 months. Borrowers are scheduled to make monthly payments of principal and interest. However, borrowers can repay their loan at any time without penalty. The interest rate is the cost of the extended credit expressed as an annualized percentage and varies from 29% to 59% on $10,000 loans, 69% on $5,075 loans, 79-96% on $2,600 loans and 48% on $1,500 loans. As of October 2008, the Company limited the loan products it offers to the $2,600 personal loans.

2. UNSECURED LOANS HELD FOR SALE AND INTEREST RECEIVABLE (continued)

Unsecured loans receivable consists of the following at December 31, 2008:

Unsecured loans held for sale	$ 31,860,942
Valuation allowance	(4,138,068)
Unsecured loans held for sale, at lower of cost or market	$ 27,722,874

Interest receivable consists of the following at December 31, 2008:

Interest receivable	$ 2,905,332
Valuation allowance	(377,342)
Interest receivable	$ 2,527,990

Contractual maturities of unsecured loans held for sale are as follows for the years ending December 31:

2009	$ 4,606,612
2010	5,096,879
2011	10,579,655
2012	5,658,668
2013	1,310,022
Thereafter	4,609,106
	$ 31,860,942

3. PROPERTY AND EQUIPMENT

Property and equipment consisted of the following at December 31, 2008:

Computer equipment and software	$ 14,114,849
Furniture and fixtures	4,483,688
Leasehold improvements	179,931
Autos	15,742
	18,794,210
Accumulated depreciation and amortization	(9,535,394)
	$ 9,258,816

4. NOTES PAYABLE

Class A and Class B Syndicate

In June 2006, the Company entered into a $486 million secured revolving loan facility with various lenders that comprised a Class A and Class B syndicate (collectively, the "Loan Facility") to fund unsecured loans originated by the Company. The Class A facility advanced funds at 80% of the loans receivable originated by the Company and the Class B facility advanced funds at 15% of the loans receivable originated by the Company (a collective advance rate of 95%). Borrowings were based on eligible loans receivable and bore interest at LIBOR plus 3.5% for Class A and LIBOR plus 8.0% for Class B. The Loan Facility was secured by the related portion of the aforementioned loans receivable.

In December 2007, the Company sold the Class A and Class B loan portfolio, including servicing rights, for approximately $459 million effectively terminating the Loan Facility. The sale met the criteria in SFAS No. 140 and resulted in a gain of approximately $60,000, which was reported as other income in the statement of operations for the year ended December 31, 2007. The proceeds from this sale were used in part to repay all of the outstanding balance of the Loan Facility. The Company subservices the sold loans for an annual fee equal to 7% of the average receivable balance for such loans.

In connection with the aforementioned December 2007 transaction, the Company issued warrants to the buyer for the purchase of 1,099 shares of the Company's common stock (representing approximately 10% of the fully diluted outstanding common shares at such time) at an exercise price of $0.01 per share. The warrants contain anti-dilution provisions, and (except as otherwise described in the related agreement) expire ten years after issuance. Based on an independent valuation, management determined that the estimated fair value of such warrants approximated $1.9 million on the transaction date and allocated this amount (from the sale proceeds) to the warrants.

The warrants include a "put" right, whereby the warrant holder (the "Holder") may under certain conditions require the Company to cash settle the warrants. The sale of a majority equity interest in the Company is the event that could trigger settlement of the put right. If the Company is required by the structure of any such transaction to cash settle the warrants, the purchase price will be an amount equal to their estimated fair market value immediately prior to consummating a sale transaction. However, under the terms of the warrant agreement, the Holder's contingent put right will be null and void if (a) the consideration paid by a buyer of the Company's common stock consists solely of cash and/or capital stock of a publicly held entity or (b) the Company does not have sufficient cash legally available to fully satisfy the put right. If the warrant put right must be cash settled (for reasons described above), the sole stockholder of the Company presently intends to finance such payment from (1) the proceeds he will receive from selling a majority equity interesting in the Company and/or (2) other personal assets.

4. NOTES PAYABLE (continued)

CIGPF I Corp.

In September 2006, the Company entered into a $50 million term credit facility with CIGPF I Corp. The proceeds of such loan have been used to fund loans originated by the Company. Each advance under this facility is secured by the over collateralization of the Secured Revolving Loan Facility resulting in taking the overall advance rate from 95% to 100% of notes receivable from loans originated by the Company. The CIGPF I Corp. note matures on December 15, 2009. Borrowings are based on eligible unsecured loans receivable and bear interest at LIBOR plus 12.75% (13.83% at December 31, 2008). The Company is subject to financial covenants and financial triggers and at December 31, 2008, was in compliance with all such covenants and financial triggers. Such loan facility is secured by the related portion of unsecured loans receivable.

GreenWall, Inc.

In November 6, 2008, the Company issued an unsecured note payable to GreenWall, Inc., a related third party, for $16,500,000 in proceeds. Such note bears interest at 15% per annum and is due one year after issuance.

Other

From July through December 2008, the Company issued unsecured notes payable to unrelated third parties for proceeds approximating $1,600,000. Such notes bear interest at 12% per annum and are due six months after issuance.

Summary

All of the Company's notes payable mature in 2009. The balances outstanding on notes payable at December 31, 2008 are summarized as follows:

CIGPF I Corp.	$ 30,963,973
GreenWall, Inc.	16,500,000
Other	1,567,650
	$ 49,031,623

5. DUE TO STOCKHOLDER

From time to time, the Company borrows money for working capital purposes from the sole stockholder. At December 31, 2008, the total due to stockholder approximated $41,300,000. The borrowings call for interest at approximately 6% per annum and are due on demand.

6. COMMITMENTS AND CONTINGENCIES

Operating Leases

During February 2008, the Company cancelled its lease for office space in Fountain Valley, California, and moved its primary offices to Anaheim, California. The Anaheim operating lease expires in July 2009 at which time management intends to renew the lease. The Company also leases office space in Las Vegas, Nevada under an operating lease expiring in November 2009.

Future minimum rental payments required under such leases approximate the following for the year ending December 31:

2009	$ 1,914,632

Rent expense totaled $3,042,000 for the year ended December 31, 2008.

The Company subleases a portion of its Anaheim facility to a related party. Future minimum sublease receipts under the operating leases totaled the following for the year ending December 31:

2009	$ 63,000

Legal

On May 16, 2006, October 2, 2007, and July 1, 2008, the Company was named as a defendant in three class action matters alleging the Company committed unfair business practices under California law in its lending process. The hearings on these matters are still pending. The Company intends to vigorously defend itself in these matters, and believes the cases have no merit and has no accrual in the accompanying balance sheet.

The Company was named as a defendant in several lawsuits filed by borrowers alleging the Company violated California's Rosenthal Fair Debt Collections Act or other customer privacy acts. The cases are in various stages and final litigation is still pending. The Company intends to defend itself on these matters and believes the cases have no merit, and has no accrual in the accompanying balance sheet.

The Company was also named as a defendant in an employee overtime matter that was settled in July 2008. Management estimated its liability under the settlement to range from $2,850,000 to $3,000,000 based on the expected number of claimants. Accordingly, under the provision of SFAS No. 5, the Company has accrued $2,850,000, which has been included in accounts payable and other accrued liabilities in the accompanying balance sheet.

6. COMMITMENTS AND CONTINGENCIES (continued)

Legal (continued)

Additionally, at times, the Company is subject to various claims and actions, which arise in the ordinary course of business. Management, having consulted with its legal counsel, believes the ultimate resolution of any such claims and actions, both individually and in the aggregate, will not have a material adverse effect upon the Company's financial position or the results of its operations.

7. EMPLOYEE BENEFIT PLAN

The Company offers a defined contribution 401(k) plan with discretionary Company contributions. To become eligible, employees must be at least 21 years of age, have been employed for a minimum of 6 months, and worked at least 500 hours during that period. The Company did not contribute to the 401(k) plan for the year ended December 31, 2008.

8. SUBSEQUENT EVENTS

During the year ended December 31, 2008, the Company decided to enter the mortgage banking industry and was approved by the United States of America Department of Housing and Urban Development ("HUD") to fund HUD-insured mortgages as a Title II "nonsupervised mortgagee". The Company did not originate any mortgages though December 31, 2008 and accordingly, does not reflect any such transactions in the accompanying financial statements. In January 2009, the Company obtained a $5 million warehouse credit facility with Texas Capital Bank and began originating mortgages. Such mortgages are classified as held for sale and are recorded at the lower of cost or aggregate market value.

